

## Item 1 – Cover Page

### **Reutemann Financial Solutions, Inc. (RFS) Form ADV Part 2A Disclosure Brochure**

Date of Brochure: April 2013

**Reutemann Financial Services is headquartered at:**

**9600 Blackwell Road, Suite 101  
Rockville, MD 20850**

Reutemann Financial Solutions also conducts business under the following:

**Research Financial Strategies**

9600 Blackwell Road, Suite 101  
Rockville, MD 20850  
Ph: 301-294-7500  
[www.rfsadvisors.com](http://www.rfsadvisors.com)

**Diversified Estate Services**

4101 Lake Boone Trail  
Raleigh, NC 27607  
Ph: 919-787-8866  
[www.RetirementPlanningNC.com](http://www.RetirementPlanningNC.com)  
[www.financialplanstrategies.com](http://www.financialplanstrategies.com)  
[www.protectyourira.com](http://www.protectyourira.com)  
[www.desllc.org](http://www.desllc.org)

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This brochure provides information about the qualifications and business practices of Reutemann Financial Solutions, Inc. ("RFS"). If you have any questions about the contents of this brochure, please contact Valerie Alexander at 301-294-7500 or at [valerie.alexander@rfsadvisors.com](mailto:valerie.alexander@rfsadvisors.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 RFS is also available on the Internet at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can view our firm's information on this website by searching for our legal name Reutemann Financial Solutions, Inc., for any of our doing business as (DBA) names, or our firm CRD number **153247**.

\*Registration as an investment advisor does not imply a certain level of skill or training.

## Item 2 – Material Changes

This item discusses specific material changes that are made to the Disclosure Brochure and provides readers with a summary of such changes. We updated this Disclosure Brochure with our annual updating amendment filing in March 2013. Prior to the March 2013 annual update, our last annual update for the Disclosure Brochure was in March 2012.

The material changes to this Disclosure Brochure since March 2012 include the following:

- 1) We have updated the information for the office locations and DBA (doing business as) names for the firm (including the most recent updates made in April 2013). Please refer to *Item 1 – Cover Page* for the specific doing business as (DBA) information.
- 2) In June 2012 we added disclosure language at Items 5, 12, 14, and 15 related to our firm's use of the Schwab Advisor Services platform.
- 3) In June 2012, we added a description of our asset management services to Items 4 and 5.
- 4) In August 2012, we made various updates related to John Reutemann changing his broker-dealer affiliation from LPL Financial to Purshe Kaplan Sterling Investments and the corresponding change of custodian to Schwab Advisor Services in place of LPL's Strategic Wealth Management platform for the ETF Trend Allocator Program.
- 5) For the Annual Amendment filing submitted in March 2013, we have updated the reported amount of our firm's asset under management to report the value of assets under management as of December 31, 2012. Please refer to *Item 4 - Advisory Business* for more details.

We will ensure that you receive a summary of material changes, if any, to this and subsequent disclosure brochures within 120 days after our fiscal year ends. We will ensure that you receive a summary of any material changes to this and subsequent Disclosure Brochures within 120 days after our fiscal year ends. Our fiscal year ends on December 31 so you will receive the summary of material changes no later than April 30 each year. At that time we will also offer or provide a copy of the most current Disclosure Brochure. We may also provide other ongoing disclosure information about material changes as necessary.

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#### **Item 4 – Advisory Business**

John F. Reutemann, Jr. started in the securities and investment business when he was a Senior at the University of Maryland in the fall of 1972, at which time he began working as a Registered Representative with a Bethesda, MD broker/dealer, IDS, the predecessor to American Express Financial Services. In the fall of 1977, he went “independent” and co-founded his own broker/dealer branch office and has been working as an “independent” in the investment industry ever since. In May 1995 he joined LPL Financial as a Registered Representative and Branch Manager, and as such was also an Investment Adviser Representative of LPL Financial’s RIA, where he built a substantial fee-based investment advisory practice. In May 2010, at the encouragement of LPL Financial, Reutemann was part of the “Hybrid” program started by LPL to better serve its clients thru the 401(k) and retirement plans advice business. As such, Reutemann Financial Solutions was formed and registered as an independent investment adviser firm in May 2010. In August 2012 Reutemann ended his affiliation with LPL Financial to affiliate with Purshe Kaplan Sterling Investments (PKS), a registered broker/dealer, as a Registered Representative and Branch Manager. Reutemann Financial Solutions, Inc. and PKS are not affiliated companies.

Reutemann Financial Solutions, Inc. is an investment advisor registered with the United States Securities and Exchange Commission (“SEC”) and is a corporation formed under the laws of the State of Maryland.

- John F. Reutemann, Jr. is the Chief Executive Officer of Reutemann Financial Solutions, Inc.
- Reutemann Financial Solutions has been registered as an investment advisor since May 2010.

#### **General Description of Primary Advisory Services**

The RFS investment committee uses a variety of technical indicators including for example, average daily trading volume, high/low indicators, and the MACD. The exact combination and weighting of indicators used to make trading decisions is confidential and proprietary to the RFS business model

Our primary advisory services include Financial Planning Services, Asset Allocation Services, Asset Management Services and our ETF Trend Allocator Program. A more detailed description of our advisory services is provided in *Item 5 – Fees and Compensation* so that clients and prospective clients can review the description of services and description of fees in a side-by-side manner.

#### **Specialization**

RFS management believes that the core expertise of any registered investment adviser should be the pro-active management of risk and the protection of client capital. As such, we focus our money management services on technical analysis, risk mitigation, and a strong “sell-side” disciplined approach. RFS believes much of the industry has put this objective second to the “financial planning” process, and as such has produced a commoditized method of money management--the “buy and hold” pie chart, which RFS strongly rejects and considers to be a failed money management process.

#### **Limits Advice to Certain Types of Investments**

RFS provides investment advice on the following types of investments:

- No-Load (i.e. no trading fee) and Load-Waived (i.e. trading fee waived) Mutual Fund Shares
- Exchange-listed securities (i.e. stocks)
- Securities traded over-the-counter (i.e. stocks)
- Fixed income securities (i.e. bonds)
- Closed-End Funds and Exchange Traded Funds (ETFs)
- Certificates of deposit
- Municipal securities
- Variable life insurance
- Variable annuities
- United States government securities

RFS does not provide advice on foreign issues, warrants, corporate debt securities, commercial paper, options contracts on securities and commodities, futures contracts on tangibles and intangibles, interests in partnerships investing in real estate and oil and gas interests, or hedge funds and other types of private (i.e. non-registered) securities.

When providing asset management services through our ETF Trend Allocator Program, RFS typically constructs each client's account holdings using ETFs to build diversified portfolios. It is not RFS' typical investment strategy to attempt to time the market but we may increase cash holdings modestly as deemed appropriate, based on your risk tolerance and our expectations of market behavior. We may modify our investment strategy to accommodate special situations such as low basis stock, stock options, legacy holdings, inheritances, closely held businesses, collectibles, or special tax situations. *(Please refer to Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss for more information.)*

### **Participation in Wrap Fee Programs**

RFS offer advisory services through both wrap-fee programs and non-wrap fee programs. A wrap fee program is defined as any advisory program under which a specified fee (or fees) not based directly upon transactions in a client's account is charged for the execution of client transactions and investment advisory services (which advisory services may include portfolio management or may include advice concerning the selection of other investment advisers). Whenever a fee is charged to a client for advisory services described in this brochure (whether wrap fee or non-wrap fee), RFS will receive all or a portion of the fee charged.

From a management perspective, there is not a fundamental difference in the way RFS manages traditional management accounts versus wrap-fee management accounts. The only significant difference is the way in which transaction services are paid. It should be noted that RFS complies with certain trading platform restrictions. For example, a Schwab PCRA account using ETFs has no trading restrictions, whereas variable annuities and 401(k) trading platforms commonly have trading restrictions involving exit and re-entry holding periods.

### **Tailor Advisory Services to Individual Needs of Clients**

Our services are always provided based on the individual needs of each client. This means, for example, that you are given the ability to impose restrictions on the accounts we manage for you, including specific investment selections and sectors. We work with each client on a one-on-one basis through interviews and questionnaires to determine the client's investment objectives and suitability information.

## **Client Assets Managed by RFS**

The amount of clients assets managed by RFS totaled approximately \$215,002,759 as of December 31, 2012. Approximately \$207,822,576 of these assets are managed on a discretionary basis and approximately \$7,180,183 are managed on a non-discretionary basis.

## **Item 5 – Fees and Compensation**

In addition to the information provide in *Item 4 – Advisory Business*, this section provides additional details regarding our firm's services along with descriptions of each service's fees and compensation arrangements.

## **FINANCIAL PLANNING SERVICES**

### **Plans**

RFS offers financial planning services in the form of written or oral financial plans that can be either comprehensive or segmented (modular). To begin the financial planning process, the IARs will meet with you to determine your goals and objectives and to discuss the services that RFS can provide to assist in those goals and objectives. There is no charge for this initial meeting and you are under no obligation to contract with RFS for advisory services at that time. Once the IARs have received all information and documentation to prepare the requested plan, they will attempt to have the plan prepared and presented to you no more than one month later.

Fees for financial plans can be charged as either an hourly fee, a fixed fee or as a percentage of the client's net worth or annual income. The IARs have sole discretion to determine the billing method. For hourly fees, the charge will generally not exceed \$500 per hour. The IARs will provide you with an estimate of the time needed to complete the services. If more time is needed to complete the plan than the original estimate, the IARs will request your permission before proceeding with any additional work. You will be charged the actual time expended on the plan. If you are charged on a fixed fee basis, the fee will generally not exceed \$5,000. Fees charged as a percentage of your net worth or annual income will generally range from 0.5%-2.0%.

All fees are negotiable based upon the complexity of your situation, the services requested and the IAR providing the services. A retainer of one-half of the quoted fee will be due at the time the client agreement is signed, with the remainder due upon presentation of the plan to you. Fees will be billed directly to you and remainder balances are due upon receipt of a billing statement from RFS.

Financial planning services terminate upon presentation of the plan to you. However, either party can terminate services at any time by providing written or oral notice to the other party. If oral notice is provided, a written confirmation is required. Termination will be effective immediately upon receipt of such notice. If services are terminated within five business days of signing the client agreement, services will be terminated without penalty. You will be responsible for the time expended to the date of termination and RFS will provide you with a billing statement detailing the prorated charge or prorated refund due.

You are under no obligation to use RFS or its IARs to implement financial planning recommendations and/or the purchase of financial products and services. You may work with any financial professional they choose. If you choose to implement financial planning advice through RFS, you must select one of

the other advisory programs detailed in this brochure and there will be additional advisory fees charged for participation in that other advisory program. You may also work with the IARs in their separate capacities registered representatives of PKS and/or as independent insurance agents. When doing so, the IARs will earn commissions in addition to the financial planning fees charged by RFS.

### **Consultations**

You may also contract with RFS for consultations on any topic(s) of interest to them. There is no charge for an initial one-hour meeting with the IARs. You and the IARs will together determine whether consultations require more than the initial one-hour meeting, and a client agreement will be required if you wish to continue. You will have the final determination as to the actual length of the consultation services.

Fees for consultations can be charged as either an hourly fee or a fixed fee. The IARs will have sole discretion to determine the billing method. For hourly fees, the charge will generally not exceed \$500 per hour. The IARs will provide you with an estimate of the time needed to complete the services. If more time is needed to complete the plan than the original estimate, the IARs will request permission from you before proceeding with any additional work. You will be charged the actual time expended on the consultations. If you are charged on a fixed fee basis, the fee will generally not exceed \$5,000. Fees are negotiable based upon the complexity of your situation, the services requested and the IAR providing the services. A retainer of one-half of the quoted fee will be due at the time the client agreement is signed, with the remainder due upon presentation of the plan. Fees will be billed directly to you and remainder balances are due upon receipt of a billing statement from RFS.

Services terminate upon completion of the requested consultations. However, either party can terminate services at any time by providing written or oral notice to the other party. If oral notice is provided, a written confirmation is required. Termination will be effective immediately upon receipt of such notice. If services are terminated within five business days of signing the client agreement, services will be terminated without penalty. You will be responsible for the time expended to the date of termination and RFS will provide you with a billing statement detailing the prorated charge or prorated refund due.

### **Seminars**

RFS offers educational and informational seminars at no charge. Seminars are always offered on an impersonal basis and will not focus on the individual needs of participants.

### **Newsletters**

RFS provides weekly commentaries and monthly newsletters to both current and prospective clients. There is no charge, although the monthly newsletter is by subscription only. All communications are general and informational in nature and there is no specific products discussed or recommended.

## **ASSET ALLOCATION SERVICES**

RFS offers retirement planning and asset allocation advice to participants in benefit plans (e.g., 401(k) plans, pension plans, profit sharing plans, etc.). When providing these services, the IARs will review the client's financial situation, goals and objectives as well as the investment opportunities available in the plan and will make asset allocation recommendations for the holdings in your individual plan account. RFS and its IARs will provide ongoing monitoring of your individual plan account and make

recommendations regarding the reallocation of existing assets in the plan account. Depending upon the plan and the qualified custodian holding your account, the IARs may implement transactions resulting from their recommendations or you may be solely responsible for implementing transactions. If the IARs implement transactions, the advisory services provided will be considered management services and you will be required to provide the IARs with the trading authority and/or discretionary authority over the account assets as required by the account custodian. If you implement transactions, the advisory services will not be considered management services and the IARs will not have any trading or discretionary authority over the account.

Fees for asset allocation services will be billed quarterly in advance and can be charged as either an hourly fee or a fixed fee. The IARs will have sole discretion to determine the billing method. For hourly fees, the charge will generally not exceed \$500 per hour. If you are charged on a fixed fee basis, the fee will generally not exceed \$10,000 per year. Fees are negotiable based upon the complexity of your situation, the actual services requested and the IAR providing the services.

For services considered managed asset allocation services (where the IARs implement trades), you can elect to either have fees deducted from their account or billed directly. If fees are deducted from your account, you will be required to provide the custodian with written authorization to have fees deducted from the account and paid to RFS. Prior to fees being deducted from an account (and at the same time a billing statement is sent to the custodian), RFS will send you an invoice documenting the amount that will be deducted, the manner in which the fee was calculated, any adjustments to the fee and an explanation of any such adjustments. The custodian will send you a quarterly statement showing all disbursements from the account, including any advisory fees deducted. If fees are billed directly, RFS will send you a billing statement and fees are payable immediately upon receipt of the statement.

Fees for non-management asset allocation services (where you implements trades) will be billed directly to you and will be payable upon receipt of a billing statement from RFS.

Asset allocation services are considered ongoing although either party can terminate services at any time by providing written or oral notice to the other party. If oral notice is provided, a written confirmation is required. Termination will be effective immediately upon receipt of such notice unless the parties agree to a specific effective date. If services are terminated within five business days of signing the client agreement, services will be terminated without penalty. You will be responsible for the time the account was open to the effective date of termination and RFS will provide a billing statement detailing the prorated refund due to you.

## **ASSET MANAGEMENT**

RFS offers asset management services, which involves RFS providing you with continuous and ongoing supervision over your specified accounts.

For the provision of asset management services, you must appoint our firm as your investment adviser of record on specified accounts (collectively, the "Account"). The Account consists only of separate account(s) held by qualified custodian(s) under your name. The qualified custodians maintain physical custody of all funds and securities of the Account, and you retain all rights of ownership (e.g., right to withdraw securities or cash, exercise or delegate proxy voting and receive transaction confirmations) of the Account.

The Account is managed by us based on your financial situation, investment objectives and risk tolerance. We actively monitor the Account and provide advice regarding buying, selling, reinvesting or holding securities, cash or other investments of the Account.

We will need to obtain certain information from you to determine your financial situation and investment objectives. You will be responsible for notifying us of any updates regarding your financial situation, risk tolerance or investment objective and whether you wish to impose or modify existing investment restrictions; however we will contact you at least annually to discuss any changes or updates regarding your financial situation, risk tolerance or investment objectives. We are always reasonably available to consult with you relative to the status of your Account. You have the ability to impose reasonable restrictions on the management of your accounts, including the ability to instruct us not to purchase certain securities.

It is important that you understand that we manage investments for other clients and may give them advice or take actions for them or for our personal accounts that is different from the advice we provide to you or actions we take for you. We are not obligated to buy, sell or recommend to you any security or other investment that we may buy, sell or recommend for any other clients or for our own accounts.

Conflicts may arise in the allocation of investment opportunities among accounts that we manage. We strive to allocate investment opportunities believed to be appropriate for your account(s) and other accounts advised by our firm among such accounts equitably and consistent with the best interests of all accounts involved. However, there can be no assurance that a particular investment opportunity that comes to our attention will be allocated in any particular manner. If we obtain material, non-public information about a security or its issuer that we may not lawfully use or disclose, we have absolutely no obligation to disclose the information to any client or use it for any client's benefit.

Fees charged for our asset management services are charged based on a percentage of assets under management, billed in advance (at the start of the billing period) on a quarterly calendar basis and calculated based on the fair market value of your account as of the last business day of the previous billing period. Fees are prorated (based on the number of days service is provided during the initial billing period) for your account opened at any time other than the beginning of the billing period. If asset management services are commenced in the middle of the billing period, then the prorated fee for that billing period is based on the value of the Account when services commence and is due immediately and will be deducted from Account when services commence.

The asset management services continue in effect until terminated by either party (i.e., RFS or you) by providing written notice of termination to the other party. Any prepaid, unearned fees will be promptly refunded by RFS to you. Fee refunds will be determined on a pro rata basis using the number of days services are actually provided during the final period.

Fees charged for our asset management services are negotiable based on the market value of the account, asset types, your financial situation and trading activity.

The annual fee for asset management services will be between 0.50% and 3.00%. There is a minimum account size of \$50,000 although RFS may grant exceptions to this minimum upon request.

RFS believes that its annual fee is reasonable in relation to: (1) services provided and (2) the fees charged by other investment advisers offering similar services/programs. However, our annual investment advisory fee may be higher than that charged by other investment advisers offering similar services/programs. In addition to our compensation, you may also incur charges imposed at the mutual fund level (e.g., advisory fees and other fund expenses).

The investment advisory fees will be deducted from your account and paid directly to our firm by the qualified custodian(s) of your account. You will authorize the qualified custodian(s) of your account to deduct fees from your account and pay such fees directly to our firm.

You should review your account statements received from the qualified custodian(s) and verify that appropriate investment advisory fees are being deducted. The qualified custodian(s) will not verify the accuracy of the investment advisory fees deducted.

Brokerage commissions and/or transaction ticket fees charged by the qualified custodian are billed directly to you by the qualified custodian. RFS may receive a portion of such fees from you or the qualified custodian. In addition, you may incur certain charges imposed by third parties other than RFS in connection with investments made through your account including, but not limited to, mutual fund sales loads, 12(b)-1 fees and surrender charges, variable annuity fees and surrender charges, IRA and qualified retirement plan fees, and charges imposed by the qualified custodian(s) of your account. Management fees charged by RFS are separate and distinct from the fees and expenses charged by investment company securities that may be recommended to you. A description of these fees and expenses are available in each investment company security's prospectus.

### ETF TREND ALLOCATOR PROGRAM

RFS is the sponsor of the ETF Trend Allocator Program (ETF Program), a wrap-fee program that was originally developed through an arrangement using LPL's Strategic Wealth Management platform. In about July 2012, for the ETF Program RFS began using Schwab Advisor Services in addition to using LPL's Strategic Wealth Management platform. Effective August 2012, RFS will primarily use Schwab Advisor Services for any new accounts to be provided services via the ETF Program. On an exception basis, RFS may provide the ETF Trend Allocator Program services to accounts established at a broker/dealer or custodian other than Schwab. Through the ETF Program, RFS provides investment management services, including providing continuous investment advice to you and making investments for you based on your individual needs. Through this service, RFS offers a customized and individualized investment program for you. A specific asset allocation strategy and investment policy statement (IPS) is crafted to focus on your specific goals and objectives. The IPS will define your risk tolerance and investment objective. The IPS should be updated regularly, but at a minimum every 2 years.

ETF Program accounts are generally established at Schwab, which will act in the capacity as a registered broker/dealer, member FINRA/SIPC. Schwab is registered as an investment advisor with the SEC, but does not serve as an investment advisor for RFS' clients through the ETF Program. See **Item 12, Brokerage Practices**, for additional discussion on our recommendation and use of SchwabSchwab or another designated broker/dealer or custodian will provide clearing, custody and other brokerage services for accounts established through the ETF Program. You will be required to establish a brokerage account(s) at a qualified custodian (typically through Schwab Advisor Services). Separate accounts are maintained for each client. You retain all rights of ownership of your accounts (e.g., the right to withdraw securities or cash, exercise or delegate proxy voting, and receive transaction confirmations).

We assist you in establishing a managed account at Schwab or another qualified custodian that you have selected. The qualified account custodian maintains custody of your funds and securities. We do not act as custodian and do not have direct access to your funds and securities except to have advisory fees deducted from your account with your prior written authorization.

ETF Program accounts allow you to authorize RFS to purchase and sell on a discretionary basis portfolios consisting of securities and investments. Portfolio holdings may include equity securities, certificates of deposit, municipal securities, investment company securities (mutual funds, variable annuities, and variable life insurance), and United States government securities. RFS may limit its discretion with respect to the client account and the securities eligible to be purchased for the client account.

During any month that there is activity in the ETF Program account, you will receive a monthly account statement from the account custodian showing account activity as well as positions held in the account at month end. Additionally, you will receive a confirmation of each transaction that occurs within the ETF Program account unless the transaction is the result of a systematic purchase, redemption or exchange. You will also receive a detailed quarterly report showing performance, positions, and activity. If your account is custodied at Schwab, all account data and statements are also available on-line through the account view portal that is provided through Schwab.

The annual investment advisory fee charged will vary between 0.50% - 3.0% of the assets held in the account and is negotiable with you depending on the market value of the account, asset types, your financial situation and trading activity. The annual fee will be divided and payable quarterly in advance through a direct debit in your account. RFS is responsible for calculating and debiting all fees from client accounts or RFS may contract with the account custodian for assistance with the calculation and debit of our management fees from your account. You must provide the account custodian with written authorization to debit advisory fees from your accounts and pay such fees to RFS. Fees are based on the account's asset value as of the last business day of the prior calendar quarter. Fees for accounts opened at any time other than the beginning of a quarter will be prorated based on the number of days remaining in the initial quarter.

Prior to engaging RFS to provide investment management services, you will be required to enter into a formal investment advisory agreement with RFS setting forth the terms and conditions, including the amount of investment advisory fees, under which RFS will manage your assets and a separate custodial/clearing agreement with the account custodian.

You may open an ETF Program I or an ETF Program II account. In an ETF Program I account, in addition to the investment advisory fee, you will pay certain transaction charges to defray the costs associated with trade execution. These costs are set out in the brokerage account and application agreement that you will separately execute with the account custodian. In the ETF Program II account, you do not pay transaction charges associated with trade execution. The minimum account size to open an ETF Program account is \$50,000, although RFS may grant exceptions to this minimum upon request.

You may incur certain charges imposed by third parties other than RFS in connection with investments made through the account including, but not limited to, 12b-1 fees and surrender charges, and IRA and qualified retirement plan fees. Management fees charged by RFS (which include transaction and execution fees charged by the account custodian for ETF Program I accounts) are separate and distinct from the fees and expenses charged by investment company securities that may be recommended to you. A description of these fees and expenses are available in each investment company security's prospectus. The IARs of RFS, in their separate capacity as registered representatives of PKS may retain a portion of the commissions charged to you. These commissions may include 12b-1 fees, surrender charges and IRA and qualified retirement plan fees.

The ETF Program I and ETF Program II may cost you more or less than if the assets were held in a traditional brokerage account. In a brokerage account, you are charged commissions for each transaction, and the representative has no duty to provide ongoing advice with respect to the account. If you plan to follow a buy and hold investment strategy for the account or do not wish to purchase ongoing investment advice or management services, you should consider opening a brokerage account rather than an ETF Program I or ETF Program II account.

RFS does not always charge a lower advisory fee for ETF Program I accounts versus ETF Program II accounts. Therefore, there is the potential for ETF Program I account clients to pay higher overall costs which are derived from the amount of trading activity within an account. This is because transaction costs are passed along to you in ETF Program I accounts whereas transactions costs are covered under the overall fee charged for ETF Program II accounts.

Either party may terminate the agreement for services at any time. If services are terminated within five business days of executing the agreement, services will be terminated without penalty and a full refund of all fees paid in advance will be provided. If services are terminated after the initial five day period, RFS will provide you with a prorated refund of fees paid in advance. The refund will be based on the number of days service was actually provided during the final billing period. Termination will be effective from the time the other party receives written notification or such other time as may be mutually agreed upon, subject to the settlement of transactions in progress and the final refund of advisory fees. There will be no penalty charge upon termination.

This section is intended to be a summary of the ETF Program. All clients contracting for ETF Program services will be provided with a copy of the ETF Wrap Fee Program disclosure brochure.

### **Third-Party Investment Advisors**

RFS has arrangements with third-party investment advisors for which investment advisor representatives may act as solicitors. A third-party investment advisor manages client accounts in accordance with the disclosure set forth in the third-party investment advisor's disclosure documents. The third-party investment advisor will typically assume discretionary authority over the account. RFS and its representatives will not manage or obtain discretionary authority over the assets in accounts participating in these third-party investment advisor programs.

Fees may be negotiated within limits set by the third-party investment advisor. Fees generally range from 10 basis points (.10%) to 270 basis points (2.70%) annually, depending upon the program selected, the size of the account and the services covered. Under some programs an inclusive fee covers account management, brokerage clearance, custody and administrative services. In other programs, the account may be charged separately for such services.

The amount of the fees, services provided, payment structure, account minimums, termination provisions and other aspects of each program are detailed and disclosed in the third party investment advisor's form ADV Part 2A-Appendix 1 Wrap Fee Disclosure Brochure, or other applicable disclosure document. The investment advisor representative will share in a portion of the fee charged by the third-party investment advisor. The portion of the fee paid to the investment advisor representative varies program by program and is disclosed in the documentation provided to the client by the third-party investment advisor. Under these arrangements the investment advisory representative typically gathers information from the client about the client's financial situation, investment objectives, and reasonable restrictions the client wishes to impose upon the management of the account; periodically reviews reports provided to the client

and consults with the client; contacts the client at least annually to review with the client the client's financial situation and objectives; communicates information to the third-party investment advisor as warranted; and assists the client in understanding and evaluating the services provided by the third-party investment advisor. Clients are reminded to notify the investment advisor representative of any changes in their financial situation, investment objective or account restrictions. Clients may also directly contact the third-party investment advisor managing the account.

If mutual funds or variable annuities are used in these programs, the advisory fees described above are in addition to the internal management fees and expenses paid by the mutual funds or variable annuity companies to their separate investment advisors. In addition, variable annuity companies generally impose mortality charges on such accounts.

Fees are payable in advance or in arrears as described in the third-party investment advisor's Form ADV Part 2A, or the Part 2A-Appendix 1 if the third-party investment advisor's services are provided via a wrap-fee program. The third-party investment advisor determines fee schedules, termination provisions and refund of fees for agreements terminated prior to the expiration date of the agreement. Such policies are disclosed to clients directly by the third-party investment advisor, and vary from manager to manager.

### ***Mutual Fund Asset Allocation / Variable Annuity Programs***

In mutual fund/variable annuity programs managed by third-party investment advisors, the investment advisor representative may assist clients in selecting various strategies consisting of model portfolios of mutual funds and/or variable annuity sub-accounts or assist clients in designating certain of their existing investments in mutual funds and/or variable annuities to be managed by a third-party investment advisor and its investment advisor representatives will not otherwise manage these accounts and will not obtain discretionary authority over the assets in accounts participating in these programs. Please refer to the third-party investment advisors Form ADV.

Third-party investment advisors retained by RFS on behalf of its clients offer investment advisory services that incorporate a market timing strategy for mutual funds and variable annuity sub-accounts. The goal of such timing services is to attempt to increase a client's return by switching between various funds (typically within single fund family) as certain buy/sell signals are triggered. The third-party investment advisors will develop such signals.

Other third-party investment advisors offer advisory services under which the investment advisor representative assists the client in selecting asset allocation classes, an investment strategy or a model portfolio consisting of mutual funds and/or variable annuities, or particular mutual funds and/or variable annuities. The third-party investment advisor will either rebalance the mutual funds, variable annuity sub-accounts, or model portfolio of mutual funds and/or variable annuity sub-accounts in accordance with the client's stated general strategy or objectives.

### **Item 6 – Performance-Based Fees and Side-By-Side Management**

Item 6 of the Form ADV Part 2 instructions is not applicable to this Disclosure Brochure because RFS does not charge or accept performance-based fees. Performance-based fees are fees based on a share of capital gains on or capital appreciation of the assets held within a client's account.

## **Item 7 – Types of Clients**

RFS generally provides investment advice to the following types of clients:

- Individuals
- High-Net Worth Individuals
- Pension and profit sharing plans
- Trusts, estates, or charitable organizations
- Corporations or business entities other than those listed above

### **Minimum Investment Amounts Required**

RFS requires a minimum investment amount of \$50,000 to establish ETF Program II accounts, although exceptions may be granted by Schwab and RFS. All clients are required to execute an agreement for services in order to establish a client arrangement with RFS and/or the third-party money manager or the sponsor of third-party money manager platforms.

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

### **Methods of Analysis**

RFS uses the following methods of analysis in formulating investment advice:

Charting. The set of techniques used in technical analysis in which charts are used to plot price movements, volume, settlement prices, open interest, and other indicators, in order to anticipate future price movements. Users of these techniques, called chartists, believe that past trends in these indicators can be used to extrapolate future trends.

Cyclical. Analyzes the investments sensitive to business cycles and whose performance is strongly tied to the overall economy. For example, cyclical companies tend to make products or provide services that are in lower demand during downturns in the economy and higher demand during upswings. Examples include the automobile, steel, and housing industries. The stock price of a cyclical company will often rise just before an economic upturn begins, and fall just before a downturn begins. Investors in cyclical stocks try to make the largest gains by buying the stock at the bottom of a business cycle, just before a turnaround begins.

Fundamental. A method of evaluating a security by attempting to measure its intrinsic value by examining related economic, financial and other qualitative and quantitative factors. Fundamental analysts attempt to study everything that can affect the security's value, including macroeconomic factors (like the overall economy and industry conditions) and individually specific factors (like the financial condition and management of companies). The end goal of performing fundamental analysis is to produce a value that an investor can compare with the security's current price in hopes of figuring out what sort of position to take with that security (underpriced = buy, overpriced = sell or short). This method of security analysis is considered to be the opposite of technical analysis. Fundamental analysis is about using real data to evaluate a security's value. Although most analysts use fundamental analysis to value stocks, this method of valuation can be used for just about any type of security.

Technical. This is a method of evaluating securities by analyzing statistics generated by market activity, such as past prices and volume. Technical analysts do not attempt to measure a security's intrinsic value, but instead use charts and other tools to identify patterns that can suggest future activity. Technical analysts believe that the historical performance of stocks and markets are indications of future performance. The RFS investment committee uses a variety of technical indicators, e.g., average daily trading volume, high/low indicators, and the MACD. The exact combination and weighting of indicators used to make trading decisions is confidential and proprietary to the RFS business model.

### **Investment Strategies**

RFS uses the following investment strategies when managing client assets and/or providing investment advice:

Long term purchases. Investments held at least a year.

Short term purchases. Investments sold within a year.

Trading. Investments sold within 30 days.

Margin transactions. When an investor buys a stock on margin, the investor pays for part of the purchase and borrows the rest from a brokerage firm. For example, an investor may buy \$5,000 worth of stock in a margin account by paying for \$2,500 and borrowing \$2,500 from a brokerage firm. Clients cannot borrow stock from RFS.

RFS also uses sector rotation analysis as an investment strategy. This is a technical analysis model using relative strengths to identify sector rotation opportunities.

### **Use of Primary Method of Analysis or Strategy**

RFS's primary method of analysis or strategy is technical analysis with an emphasis on strict sell-side process and risk management of principal. Some of the risks involved with using this method include: (1) prematurely exiting a security right before a recovery; (2) creating short term capital gains in non-qualified taxable accounts; and (3) additional fixed dollar transaction costs imposed by the investment custodian. RFS's primary strategy involves frequent trading of securities. The frequent trading of securities may have a positive or negative impact on investment performance. Performance from active trading can be lowered due to an increase in brokerage and other transaction costs.

### **Primarily Recommend One Type of Security**

RFS primarily recommends only one type of security, which is ETFs (exchange traded funds). Some of the risks involved with only recommending this type of security include: (1) individual stocks may provide greater upside market return than an ETF; (2) mutual funds may provide a greater level of professional management and diversification; (3) not all ETFs are the same. Some are highly concentrated sector plays or country specific and may involve a higher level of risk than some mutual funds. RFS management does not believe these risks to be relevant to its ETF Allocator program, and these risks are listed for fairness and disclosure reasons.

### **Risk of Loss**

Past performance is not indicative of future results. Therefore, you should never assume that future performance of any specific investment or investment strategy will be profitable. Investing in securities

(including stocks, mutual funds, and bonds) involves risk of loss. Further, depending on the different types of investments there may be varying degrees of risk. You should be prepared to bear investment loss including loss of original principal.

Because of the inherent risk of loss associated with investing, our firm is unable to represent, guarantee, or even imply that our services and methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to market corrections or declines. There are certain additional risks associated when investing in securities through our investment management program.

- Market Risk – Either the stock market as a whole, or the value of an individual company, goes down resulting in a decrease in the value of client investments. This is also referred to as systemic risk.
- Equity (stock) market risk – Common stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in and perceptions of their issuers change. If you held common stock, or common stock equivalents, of any given issuer, you would generally be exposed to greater risk than if you held preferred stocks and debt obligations of the issuer.
- Company Risk. When investing in stock positions, there is always a certain level of company or industry specific risk that is inherent in each investment. This is also referred to as unsystematic risk and can be reduced through appropriate diversification. There is the risk that the company will perform poorly or have its value reduced based on factors specific to the company or its industry. For example, if a company's employees go on strike or the company receives unfavorable media attention for its actions, the value of the company may be reduced.
- Fixed Income Risk. When investing in bonds, there is the risk that issuer will default on the bond and be unable to make payments. Further, individuals who depend on set amounts of periodically paid income face the risk that inflation will erode their spending power. Fixed-income investors receive set, regular payments that face the same inflation risk.
- Options Risk. Options on securities may be subject to greater fluctuations in value than an investment in the underlying securities. Purchasing and writing put and call options are highly specialized activities and entail greater than ordinary investment risks.
- ETF and Mutual Fund Risk – When investing in a an ETF or mutual fund, you will bear additional expenses based on your pro rata share of the ETF's or mutual fund's operating expenses, including the potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities the ETF or mutual fund holds. Clients will also incur brokerage costs when purchasing ETFs.

- **Management Risk** – Your investment with our firm varies with the success and failure of our investment strategies, research, analysis and determination of portfolio securities. If our investment strategies do not produce the expected returns, the value of the investment will decrease.

### **Item 9 – Disciplinary Information**

Item 9 is not applicable to this Disclosure Brochure because there are no legal or disciplinary events to report that are material to a client's or prospective client's evaluation of our business or integrity.

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

RFS is **not** and does **not** have a related company that is a (1) broker/dealer, municipal securities dealer, government securities dealer or broker, (2) investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund," and offshore fund), (3) other investment adviser or financial planner, (4) futures commission merchant, commodity pool operator, or commodity trading advisor, (5) banking or thrift institution, (6) accountant or accounting firm, (7) lawyer or law firm, (8) insurance company or agency, (9) pension consultant, (10) real estate broker or dealer, or (11) sponsor or syndicator of limited partnerships. The IARs of RFS are also registered representatives of PKS and may suggest that clients implement their advice by placing transactions through PKS. This could present a conflict of interest since they could receive fees and commissions if clients choose to implement recommendations through the IARs in their separate capacities as registered representatives. Clients are not obligated to implement any recommendations through RFS or through its IARs and are free to select any broker/dealer they wish in order to implement recommendations. Reutemann Financial Solutions, Inc. and PKS are not affiliated companies.

Commissions and fees charged by PKS, Schwab and RFS may be higher or lower than at other broker/dealers and investment advisors. Registered representatives may have a conflict of interest in having you purchase securities through PKS because the higher their production with PKS the greater potential they have for obtaining a higher pay-out on commissions earned. Further, the registered representatives are restricted to only offering those products and services that have been reviewed and approved for offering to the public by PKS and for which PKS has obtained a selling agreement.

Some of the IARs may also be independently licensed as insurance agents with various insurance companies. If you elect to purchase insurance products through the IARs in this separate capacity, the IARs may earn commissions. This situation represents a conflict of interest because the IARs could receive fees for the advice and receive commissions for implementing insurance transactions as an insurance agent. You are not obligated to implement any recommendations through RFS or through its IARs and are free to select any insurance agent or company they wish in order to implement recommendations.

### **Third-Party Investment Advisors**

As described in *Item 4 – Advisory Business* and *Item 5 – Fees and Compensation*, RFS has formed relationships with independent, third-party investment advisors.

RFS has relationships with nonaffiliated investment advisors. RFS recommends that clients work directly with third-party investment advisors. When we refer clients to a third-party investment advisor, RFS

receives a portion of the fee charged by the third-party investment advisor. Therefore, RFS has a conflict of interest in that we will only recommend a third-party investment advisor that will agree to compensate RFS by paying RFS a portion of the fees billed to your account that is managed by the third-party investment advisor.

## **Item 11 – Code of Ethics, Participation in Client Transactions and Personal Trading**

### **Code of Ethics Summary**

Section 204A-1 of the *Investment Advisers Act of 1940* requires all investment advisors to establish, maintain and enforce a Code of Ethics. RFS has established a Code of Ethics that will apply to all of its associated persons. An investment advisor is considered a fiduciary according to the *Investment Advisers Act of 1940*. As a fiduciary, it is an investment advisor's responsibility to provide fair and full disclosure of all material facts and to act solely in your best interest at all times. RFS has a fiduciary duty to all clients. This fiduciary duty is considered the core underlying principle for its Code of Ethics, which also covers its insider trading and personal securities transactions policies and procedures. RFS requires all of its supervised persons to conduct business with the highest level of ethical standards and to comply with all federal and state securities laws at all times. Upon employment or affiliation and when changes occur, all supervised persons will sign an acknowledgement that they have read, understand and agree to comply with the RFS Code of Ethics. RFS has the responsibility to make sure that the interests of all clients are placed ahead of its or its supervised person's own investment interests. Full disclosure of all material facts and potential conflicts of interest will be provided to clients prior to any services being conducted. RFS and its supervised persons must conduct business in an honest, ethical and fair manner and avoid all circumstances that might negatively affect or appear to affect its duty of complete loyalty to you. This disclosure is provided to give you a summary of the RFS Code of Ethics. However, if you wish to review the RFS Code of Ethics in its entirety, a copy will be provided promptly upon request.

Some of our representatives are also Certified Financial Planners<sup>™</sup>. In addition to abiding by our Code of Ethics, they also abide by the Code of Ethics and Responsibility Code of the Certified Financial Planner<sup>™</sup> Board of Standards, Inc. That Code requires CFP<sup>®</sup> designees to comply with all applicable laws and regulations and also to act in an ethical and professional responsible manner in all professional services and activities. The principles guiding CFP<sup>®</sup> designees are:

- Integrity
- Objectivity
- Competence (in providing services and maintaining knowledge and skills to do so)
- Fairness (to clients, principals, partners and employers and disclosing any conflicts of interest in providing services)
- Confidentiality (keeping all client information confidential without the specific client consent unless in response to legal process or in defense of charges of wrongdoing or civil dispute)
- Professionalism
- Diligence

You can obtain a copy of the Code of Ethics and Responsibility Code by requesting a copy from one of our representatives.

### **Affiliate and Employee Personal Securities Transactions Disclosure**

RFS or our associated persons may buy or sell for their personal accounts, investment products identical to those recommended to clients. This creates a potential conflict of interest. It is the express policy of

RFS that all persons associated in any manner with our firm must place the interests of our clients ahead of their own when implementing personal investments. RFS and its associated persons shall not buy or sell securities for their personal account(s) where their decision is derived, in whole or in part, by information obtained as a result of employment or association with our firm unless the information is also available to the investing public upon reasonable inquiry. In order to minimize this conflict of interest, securities recommended by RFS are widely held and publicly traded.

RFS management, employees, and their family members invest “side by side” with RFS clients. In fact, many RFS employees and their family members are clients. All trade executions are submitted in bulk, and all clients and RFS employees and their family members receive the same price at all times. RFS does not believe this to be a conflict of interest, and, in fact, believes it to be fair and a “best practice”.

## **Item 12 – Brokerage Practices**

Clients are under no obligation to act on the financial planning recommendations of RFS. If the firm assists in the implementation of any recommendations, we are responsible to ensure that the client receives the best execution possible.

Clients are allowed to select the broker-dealer that will be used for their accounts. Clients directing the use of a particular broker/dealer or other custodian must understand that we may not be able to obtain the best prices and execution for the transaction. Under a client-directed brokerage arrangement, clients may receive less favorable prices than would otherwise be the case if the client had not designated a particular broker/dealer or custodian. Directed brokerage account trades are generally placed by RFS after effecting trades for other clients of RFS. In the event that a client directs RFS to use a particular broker or dealer, RFS may not be authorized to negotiate commissions and may be unable to obtain volume discounts or best execution. In addition, under these circumstances a disparity in commission charges may exist between the commissions charged to clients who direct RFS to use a particular broker or dealer versus clients who do not direct the use of a particular broker or dealer.

### **Brokerage Recommendations - PKS**

If you wish to implement the advice of RFS, you are free to select any broker and are so informed. If you wish to have the IARs implement advice in their separate capacity as registered representatives, PKS will be used. The IARs are registered representatives of PKS and are required to use the services of PKS when acting in this capacity. PKS has a wide range of approved securities products for which it performs due diligence prior to selection. PKS’s registered representatives are required to adhere to these products when implementing securities transactions through PKS. Commissions charged for these products may be higher or lower than commissions you may be able to obtain if transactions were implemented through another broker/dealer.

Because the IARs of RFS are also registered representatives of PKS, they receive compliance support from PKS. In addition, PKS provides the IARs, and therefore RFS, with back-office operational, technology and other administrative support.

### **Brokerage Recommendations – Schwab**

We generally recommend that advisory clients of RFS use Charles Schwab & Co., Inc. (Schwab), a FINRA-registered broker-dealer, member SIPC, as the qualified custodian for advisory accounts. RFS is independently owned and operated and is not affiliated with Schwab. If you select Schwab as the

qualified custodian for your account, then Schwab will hold your assets in a brokerage account and buy and sell securities when we instruct them to. Even though your account is maintained at Schwab, we can still use other brokers to execute trades for your account.

We seek to recommend a custodian/broker who will hold your assets and execute transactions on terms that are overall most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others, the following:

- Combination of transaction execution services along with asset custody services (generally without a separate fee for custody)
- Capability to execute, clear and settle trades (buy and sell securities for your account)
- Capabilities to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- Breadth of investment products made available (stocks, bonds, mutual funds, exchange traded funds (ETFs), etc.)
- Availability of investment research and tools that assist us in making investment decisions
- Quality of services
- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate them
- Reputation, financial strength, and stability of the provider
- Their prior service to us and our other clients
- Availability of other products and services that benefit us, as discussed below (See “Products and Services Available to Us from Schwab” below).

For our clients' accounts it maintains, Schwab generally does not charge you separately for custody services but is compensated by charging you commissions or other fees on trades that it executes or that settle into your Schwab account. In addition to commissions, Schwab charges you a flat dollar amount as a “prime broker” or “trade away” fee for each trade that we have executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into your Schwab account. These fees are in addition to the commissions or other compensation you pay the executing broker-dealer. Because of this, in order to minimize your trading costs, we have Schwab execute most trades for your account.

#### Products and Services Available to Us from Schwab

Schwab Advisor Services is Schwab's business serving independent investment advisory firms like us. They provide us and our clients with access to its institutional brokerage—trading, custody, reporting, and related services—many of which are not typically available to Schwab's retail customers. Schwab also makes available various support services. Some of those services help us manage or administer our clients' accounts while others help us manage and grow our business. Schwab's support services are generally available on an unsolicited basis (we don't have to request them) and at no charge to us as long as we keep a total of at least \$10 million of our clients' assets in accounts at Schwab. If we have less than \$10 million in client assets at Schwab, Schwab may charge us quarterly service fees.

Schwab's services described in this paragraph generally benefit you and your account. 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 we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients.

Schwab also makes available to us other products and services that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our clients' accounts. They include investment research, both Schwab's own and that of third parties. We may use this research to service all or some substantial number of our clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available

software and other technology that provides access to client account data (such as duplicate trade confirmations and account statements); facilitates trade execution and allocation of aggregated trade orders; provides pricing and other market data; facilitates payment of our fees from our clients' accounts; and assists with back-office functions, recordkeeping and client reporting.

Schwab also offers other services intended to help us manage and further develop our business enterprise, including educational conferences and events; technology, compliance, legal, and business consulting; publications and conferences on practice management and business succession; and access to employee benefit providers, human capital consultants and insurance providers. Schwab may provide some of these services itself. In other cases, Schwab will arrange for third-party vendors to provide the services to RFS. 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.

The availability of the above-described services from Schwab benefits RFS because RFS does not have to produce or purchase these services. RFS does not have to pay for Schwab's services so long as we keep a total of at least \$10 million of client assets in accounts at Schwab. The \$10 million minimum may give us an incentive to recommend that you maintain your account with Schwab based on our interest in receiving Schwab's services that benefit our business rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a potential conflict of interest. We believe, however, that our selection of Schwab as custodian and broker is in the best interests of our clients. The selection of Schwab is primarily supported by the scope, quality, and price of Schwab's services and not Schwab's services that benefit only us.

### **Additional Compensation**

In their separate capacity as registered representatives, the IARs may receive commissions from executing securities transactions. In addition, they may receive 12b-1 fees from certain mutual fund companies as outlined in the fund's prospectus. These 12b-1 fees come from assets and, therefore, indirectly from your assets. Receipt of such fees could represent an incentive for the IARs to recommend funds with 12b-1 fees over funds that have no fees or lower fees. As a part of its fiduciary duty, RFS endeavors at all times to put your interests first. However, you should be aware that receipt of additional compensation itself creates a conflict of interest and may affect the judgment of these individuals when making recommendations.

### **Handling Trade Errors**

RFS has implemented procedures designed to prevent trade errors; however, trade errors in client accounts cannot always be avoided. Consistent with its fiduciary duty, it is the policy of RFS to correct trade errors in a manner that is in the best interest of the client. In cases where the client causes the trade error, the client will be responsible for any loss resulting from the correction. Depending on the specific circumstances of the trade error, the client may not be able to receive any gains generated as a result of the error correction. In all situations where the client does not cause the trade error, the client will be made whole and any loss resulting from the trade error will be absorbed by RFS if the error was caused by the firm. If the error is caused by the broker-dealer, the broker-dealer will be responsible for handling the trade error. If an investment gain results from the correcting trade, the gain will remain in the client's account unless the same error involved other client account(s) that should also receive the gains and it is not permissible for all clients to retain the gain. RFS may also confer with clients to determine if the client should forego the gain (e.g., due to tax reasons).

RFS will never benefit or profit from trade errors.

### **Block Trading Policy**

RFS may elect to purchase or sell the same securities for several clients at approximately the same time. This process is referred to as aggregating orders, batch trading, or block trading and may be used by RFS when it believes such action may prove advantageous to clients. If and when RFS aggregates client orders, the allocation of securities among client accounts will be done on a fair and equitable basis. Typically, the process of aggregating client orders is done in order to achieve better execution, to negotiate more favorable commission rates or to allocate orders among clients on a more equitable basis in order to avoid differences in prices and transaction fees or other transaction costs that might be obtained when orders are placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. If and when RFS determines to aggregate client orders for the purchase or sale of securities, including securities in which the IARs may invest, RFS will do so in accordance with the parameters set forth in the SEC No-Action Letter, *SMC Capital, Inc.* Neither RFS nor its IARs will receive any additional compensation or remuneration as a result of block trades.

## **Item 13 – Review of Accounts**

### **Account Reviews and Reviewers**

Financial planning services terminate upon presentation of the plan to you and no reviews are conducted. However, RFS recommends that you have your financial situation reviewed and your financial plan updated at least annually. If you elect to undertake this review and update, a new client agreement may be required and an additional fee may be charged. Consultation services terminate upon completion of the consultations and no reviews are conducted. Asset allocation services are intended to be ongoing and include reviews of benefit plan portfolios at least quarterly. Managed accounts are generally based on one or more of six basic models holding specific investment products. Those models and their investment products are reviewed on a daily basis.

All IARs are responsible for reviewing their own accounts. While the calendar is the main triggering factor, reviews may also be conducted due to specific client request or a change in your circumstances. Reviews may also be conducted on a “transactional” or “as needed” basis. At least quarterly, IARs request you to schedule a one-on-one account review. Account models are reviewed to ensure the models and their investment products are performing to expectations. Any specific client account reviews include checking the accuracy of the holdings and an analysis of whether investments continue to work toward your goals and objectives.

### **Statements and Reports**

You will receive account statements directly from Schwab or the qualified account custodian at least quarterly.

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

RFS does not directly or indirectly compensate any person for client referrals.

From time to time, we may receive expense reimbursement for travel and/or marketing expenses from distributors of investment and/or insurance products. Travel expense reimbursements are typically a result of attendance at due diligence and/or investment training events hosted by product sponsors.

Marketing expense reimbursements are typically the result of informal expense sharing arrangements in which product sponsors may underwrite costs incurred for marketing such as advertising, publishing and seminar expenses. Although receipt of these travel and marketing expense reimbursements are not predicated upon specific sales quotas, the product sponsor reimbursements are typically made by those sponsors for whom sales have been made or it is anticipated sales will be made. We endeavor at all times to put your interests first as a part of our fiduciary duty. However, you should be aware that receiving additional compensation through nominal sales awards, expense reimbursements, etc. creates a conflict of interest that may impact our judgment when making advisory recommendations.

We receive an economic benefit from Schwab in the form of the support products and services it makes available to us and other independent investment advisors that have their clients maintain accounts at Schwab. These products and services, how they benefit us, and the related conflicts of interest are described above (See Item 12- Brokerage Practices). The availability to use of Schwab's products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

Please also see additional information about other compensation and non-economic benefits, specifically at Item 5, Fees and Compensation, Item 10, Other Financial Industry Activities and Affiliations and Item 12, Brokerage Practices.

### **Item 15 – Custody**

Custody, as it applies to investment advisors, has been defined by regulators as having access or control over client funds and/or securities. In other words, custody is not limited to physically holding client funds and securities. If an investment advisor has the ability to access or control client funds or securities, the investment advisor is deemed to have custody and must ensure proper procedures are implemented.

RFS is deemed to have custody of client funds and securities whenever RFS is given the authority to have fees deducted directly from client accounts. However, this is the only form of custody RFS will ever maintain. It should be noted that authorization to trade in client accounts is not deemed by regulators to be custody.

For accounts in which RFS is deemed to have custody, the firm has established procedures to ensure all client funds and securities are held at a qualified custodian in a separate account for each client under that client's name. Clients or an independent representative of the client will direct, in writing, the establishment of all accounts and therefore are aware of the qualified custodian's name, address and the manner in which the funds or securities are maintained. Finally, account statements are delivered directly from the qualified custodian to each client, or the client's independent representative, at least quarterly. Clients should carefully review those statements and are urged to compare the statements against reports received from RFS. When clients have questions about their account statements, they should contact RFS or the qualified custodian preparing the statement.

### **Item 16 – Investment Discretion**

Through its asset management services and upon receiving written authorization from a client, RFS will maintain trading authorization over client accounts. Upon receiving written authorization from the client, RFS may implement trades on a **discretionary** basis. When discretionary authority is granted, RFS will have the authority to determine the type of securities and the amount of securities that can be bought or sold for the client's portfolio without obtaining the client's consent for each transaction. However, it is the

policy of RFS to consult with the client prior to making significant changes in the account even when discretionary trading authority is granted by the client.

If you decide to grant trading authorization on a **non-discretionary** basis, we will be required to contact you prior to implementing changes in your account. Therefore, you will be contacted and required to accept or reject our investment recommendations including:

- The security being recommended
- The number of shares or units
- Whether to buy or sell

Once the above factors are agreed upon, RFS will be responsible for making decisions regarding the timing of buying or selling an investment and the price at which the investment is bought or sold. If your accounts are managed on a non-discretionary basis, you need to know that if you are not able to be reached or are slow to respond to our request, it can have an adverse impact on the timing of trade implementations and we may not achieve the optimal trading price.

All clients have the ability to place reasonable restrictions on the types of investments that may be purchased in an account. Clients may also place reasonable limitations on the discretionary power granted to our firm so long as the limitations are specifically set forth or included as an attachment to the client agreement.

#### **Item 17 – Voting Client Securities**

Neither RFS nor its IARs will vote proxies on your behalf. You are instructed to read through the information provided with the proxy-voting documents and to make a determination based on the information provided. You have the ultimate responsibility for making all proxy-voting decisions.

#### **Item 18 – Financial Information**

This item is not applicable to this brochure. RFS does not require or solicit prepayment of more than \$1200 in fees per client, six months or more in advance. Therefore, we are not required to include a balance sheet for our most recent fiscal year. We are not subject to a financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients. Finally, RFS has not been the subject of a bankruptcy petition at any time. (Please refer to Information Required by Part 2B of Form ADV: Brochure Supplement for more information).

#### **Item 19 - CUSTOMER PRIVACY POLICY NOTICE**

In November of 1999, Congress enacted the *Gramm-Leach-Bliley Act* (GLBA). The GLBA requires certain financial institutions, such as investment advisor firms, to protect the privacy of customer information. In situations where a financial institution does disclose customer information to non-affiliated third parties, other than permitted or required by law, customers must be given the opportunity to opt out or prevent such disclosure. RFS does not share or disclose your information to non-affiliated third parties except as permitted or required by law.

RFS is committed to safeguarding your confidential information. RFS holds all personal information provided by you in the strictest confidence and it is the objective of RFS to protect the privacy of all

clients. Except as permitted or required by law, RFS does not share confidential information about you with non-affiliated parties. In the event that there were to be a change in this policy, RFS will provide you with written notice and you will be provided an opportunity to direct RFS as to whether such disclosure is permissible.

To conduct regular business, RFS may collect personal information from sources such as:

- Information reported by you on applications or other forms you provide to RFS
- Information about your transactions implemented by others
- Information developed as part of financial consultations and analyses

To provide related services for client accounts, it is necessary for RFS to provide access to your information within the firm and to non-affiliated companies with whom RFS has entered into agreements. To provide the utmost service, RFS may disclose the information below regarding customers and former customers, as necessary, to companies to perform certain services on behalf of RFS:

- Information RFS receives from you on applications (name, social security number, address, assets, etc.)
- Information about your transactions with others (account information, payment history, parties to transactions, etc.)
- Information about your financial products and services transaction with RFS

Since RFS shares non-public information solely to service you, RFS does not disclose any non-public personal information about its customers or former customers to anyone, except as permitted by law. However, RFS may also provide your information outside of the firm as required by law, such as to government entities, consumer reporting agencies or other third parties in response to subpoenas.