

AMERICAN FINANCIAL MANAGEMENT, LTD.  
FORM ADV PART 2A BROCHURE  
April 25, 2014

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6003 University Avenue, Cedar Falls, IA 50613  
800-798-3553  
[www.afm-invest.com](http://www.afm-invest.com)

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Item 1 – Cover Page

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This brochure provides information about the qualifications and business practices of American Financial Management, Ltd., (“AFM”). If you have any questions about the contents of this brochure, please contact us at 800-798-3553. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

American Financial Management, Ltd. is a registered investment adviser with the SEC. Registration as an investment adviser does not imply any level of skill or training. The oral and written communications of an investment adviser provides you with information about which you determine to hire or retain an adviser.

Additional information about American Financial Management, Ltd. also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s website also provides information about anyone affiliated with AFM who is registered as an investment adviser representative of AFM.

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Item 2 – Material Changes

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On July 28, 2010, the United States Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC Rules. This Brochure dated April 25, 2014 is a new document prepared according to the SEC’s requirements and rules.

This item discusses only specific material changes that are made to the Brochure. There are no material changes to report. Our last annual update of our brochure was on April 22, 2013.

AFM shall continue to offer or deliver information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new brochure as necessary based on changes or new information, at any time, without charge.

Currently, our brochure may be requested by contacting us at 800-798-3553. Additional information about American Financial Management, Ltd. is also available via the SEC’s web site at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s web site also provides information about any persons affiliated with American Financial Management Ltd. who are registered, or are required to be registered, as investment adviser representatives of American Financial Management, Ltd.

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Item 4 – Advisory Business

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American Financial Management, Ltd. is a SEC Registered Investment Advisor established in 1983. We provide Asset Allocation Risk Management Services on a discretionary basis.

The firm's principal owner is Howard Richard Dobson, Sr.

Throughout this brochure, "we" "us" or "our" refers to American Financial Management, Ltd., and "you" or "your" refers to the client or proposed client.

Services consist of a mutual fund/variable annuity contract sub-account conversion management service using mutual fund/variable contract sub-accounts of the client's choice in consultation with the client's personal investment advisor representative.

American Financial Management, Ltd. provides management services concerning the exchange between mutual fund/variable annuity contract sub-accounts. Management techniques are similar in each of the strategies; however, at their basis, momentum, relative strength and moving averages are the technical methods used to determine sub-account reallocation choices in all strategies. AFM neither recommends the mutual fund/variable contract group/company or the particular investments involved, nor the sale or redemption of any mutual fund/variable annuity contract shares/units, other than for conversion or advisory fee liquidation as authorized by the client.

The advisory client's personal or individual needs should be determined by the client in consultation with their broker or Advisory Registered Representative. Each Investment Advisory Agreement contains a confidential investor profile, obtained by the investment adviser representative used for determining the goals, objectives, risk profile and suitability with their client's strategy selection. When selecting the strategy, the client agrees to consider personal risk tolerance and financial goals in assessing AFM's Asset Allocation/Risk Management program and ability to sustain a loss.

AFM does not participate in wrap fee programs.

As indicated in our ADV Part 1 on file with the SEC, as of January 31, 2014, we manage approximately \$76,500,845 in client assets on a discretionary basis.

All accounts are managed on a discretionary basis; AFM does not manage non-discretionary accounts.

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Item 5 – Fees and Compensation

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All fees and minimum account sizes are subject to negotiation.

The specific manner in which fees are charged is established in a client's written agreement with American Financial Management, Ltd. Clients may choose to be billed directly for fees or to authorize AFM to directly deduct fees from their managed or other accounts. The payment frequency is either annual, semi-annual or quarterly and is determined by the client.

The minimum account size is \$10,000 per registration. \*There are no minimum dollar requirements for strategies utilized for a 401(k) platform.

Standard Fee Schedule:

<u>Asset under Management</u>	<u>Maximum Advisory Fee</u>
\$10,000- \$250,000	2.50%
Next \$250,000	2.25%
Next \$250,000	2.00%
Next \$250,000	1.75%
Over \$1 Million	1.00%

Certain clients who initially hired applicant under a lower fee schedule may continue to receive AFM's services at the lower initial rates.

In addition, clients may pay varying fee amounts dependent upon the advisory representative with whom they have contracted. Advisory contracts are renewable at the client's discretion.

AFM wishes to state that at times the fee charged may be lower or higher than normally charged in the industry and that it is possible that the same, similar, or significantly more extensive services may be available from other advisers at lower or higher rates.

Annual Fee Schedule:

- A. fee shall be payable in advance upon execution of the advisory agreement
- B. fee is based on the principal amount per contract invested
- C. fee for subsequent years shall be based on the market value of the account 30 days prior to the client's management anniversary date.
- D. fee shall be payable for additional amounts invested, prorated for the remaining portion of the contractual year of deposit

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Semi-Annual Fee Schedule:

- A. fee shall be payable in advance upon execution of the advisory agreement
- B. fee shall be based on the principal amount per contract invested due by each semi-annual anniversary date, and based on the market value of the account approximately 30 days prior to the semi-annual anniversary date of the client's management contract
- C. fee is payable at .50% of the annual fee every six months, based on the market value of the account approximately 30 days prior to the semi-annual anniversary renewal date

Quarterly Fee Schedule:

- A. fee shall be payable in advance upon execution of the advisory agreement
- B. fee shall be based on the principal amount per contract invested and pro-rated to the end of the next quarterly billing cycle
- C. fee is payable at .25% of the annual fee at the beginning of each calendar quarter, based on the market value of the account approximately 30 days prior to the quarter ending

Refund Policy for Prepaid Fees: If one exchange occurs, 50% of the fee above the first \$100.00 is refundable to the client. If two or more exchanges occur, 25% of the fee above the first \$100.00 is refundable to the client. If no exchanges occur, the pro-rata, unused or unearned portion of the annual fee over the first \$100.00 is refundable to the client. Investment Advisory Representatives notify AFM within 10 days of review of their client(s) account statement of withdrawals made from any managed account(s). Refunds are processed when the amount is equal to \$25.00, the established minimum set forth by AFM. \* Does not apply to 401(k) managed strategies.

Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable. Refunds are calculated on a pro-rata basis. \*The first \$100.00 in fees is non-refundable.

American Financial Management, Ltd.'s fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client.

Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Mutual funds and variable annuities may pay commission to their investment advisers, and certain funds and variable annuities have other types of fees or charges, including 12b-1, administrative or shareholder servicing fees, early redemption or certain other fees. Such charges, fees and commissions are exclusive of and in addition to American Financial Managements fee, and American Financial Management shall not receive any portion of these commissions, fees, and costs.

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**Risk Considerations:** The concept of exchanging investments between one mutual fund/variable annuity contract sub-account to another may result in profits and losses and AFM cannot guarantee the results or that the objectives of the Asset Allocation/Risk Management contract will be met. The investor may have tax consequences inherent in each such exchange. Market volatility may affect or limit the ability of the managers of AFM to exchange between mutual funds/variable contract sub-accounts on a basis that is timely regarding price trends and, as with any investment, especially volatile ones, discretion may be exercised not to switch between mutual funds/variable annuity contract sub-accounts.

Foreign-based investments may include currency exchange rates as additional non-market based considerations. Political stability of countries may also influence, limit or preclude the option to switch between investments. Client agrees to consider personal risk tolerance and financial goals in assessing this Asset Allocation/Risk Management program and ability to sustain a loss. Exchanges between mutual fund/variable annuity contract sub-accounts are not made based upon a client's personal or individual needs and the assessment should be made by the client in consultation with the client's broker or Advisory Registered Representative.

AFM does not recommend investment products to clients, registered representatives or broker dealers. AFM is affiliated with American Financial Securities, Inc., a registered broker dealer and FINRA member. AFS is used solely to effectuate mutual fund and variable annuity transactions for the personal retail clients of Howard Richard Dobson, Sr., Howard Richard Dobson, Jr., and Glen C. Henry, registered representatives of AFS.

Clients have an option to purchase investment products that supervised persons recommend through other brokers or agents that are not affiliated with AFS.

From effectuating transactions, AFS will retain a portion of the dealer concessions. In addition, these registered individuals of AFS may act as the registered representative for clients in the execution of securities transactions on a normal and customary basis and receive a commission, there under, along with 12b-1 fees.

At the discretion of the broker dealer, commissions may be offset, in whole or in part, if the client decides to purchase securities or investment products through the investment adviser representative.

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Item 6 – Performance Based Fees and Side-by-Side Management

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American Financial Management, Ltd. does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

Item 7 – Types of Clients

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AFM provides asset management services to individuals, pension and profit sharing plans, trusts, Corporations and other business entities. Our minimum account size to establish management services is \$10,000.00. \*There are no minimum dollar requirements for strategies utilized for a 401(k) platform.

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

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AFM's security analysis includes charting, fundamental, technical and cyclical methods. We respond to economic, market and geopolitical events through our sub-account technical allocation investment review system. This process identifies those sub-accounts that have the highest momentum and relative strength, tempered with a moving average. Investing in securities involves risk of loss that clients should be prepared to bear.

AFM's Strategies

Managed Income Strategy:

100% Fixed Income, Bonds and/or Cash Equivalents

Balanced Strategy:

Minimum 50% Fixed Income, up to 50% Domestic and/or Global Equities

Growth & Income Strategy:

Minimum 30% Fixed Income, up to 70% Domestic and/or Global Equities

Growth Strategy:

100% Equities, 100% Domestic and/or Global Equities

Moderate Aggressive Growth Strategy:

100% Equities, 100% Large and/or Mid Size Domestic and/or Global Equities



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Aggressive Growth Strategy:

100% Equities, 100% Small and /or Mid size Domestic and/or Global Equities

Note: Our Moderate Aggressive Growth and Aggressive Growth Strategies consist of a higher percentage allocated in moderate and/or aggressive funds, increasing the potential for return as well as loss; longer time horizons are recommended for these particular strategies.

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Item 9 – Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of AFM or the integrity of AFM's management. AFM has no information applicable to this item.

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Item 10 – Other Financial Industry Activities and Affiliations

Principal Officers of AFM are also involved with the day-to-day management and operations of American Financial Securities, Inc. ("AFS"), a registered broker dealer and FINRA member.

Moreover, Howard Richard Dobson, Sr. and Howard Richard Dobson, Jr. are also registered representatives of AFS. It is anticipated that the operations of AFS may consume up to 2% of their time.

These individuals and other registered representatives of AFS will be able to effect securities transactions for advisory clients and AFS may receive separate and customary compensation for this activity and may pay a portion of the compensation to these individuals. In some circumstances, AFS may receive customary compensation from mutual fund companies and /or variable annuity companies, including 12b-1 fees. AFS's securities business is primarily limited to mutual fund shares and variable annuity insurance contracts. Both AFM and AFS are principally owned by Howard Richard Dobson, Sr.

Such compensation is disclosed to the retail clients prior to, or at the time of, purchase by the client. Furthermore, those same AFS retail clients may be referred to AFM for management of their assets under the affiliated investment advisor. Accordingly, a portion of the management fee may be paid to the AFS representative as part of a solicitor's fee paid to any solicitor.

AFM may enter into solicitation agreements with other registered investment advisers. In such instances, AFM may pay a portion of the investment advisory fee to the other registered investment adviser. This solicitation fee and the pursuant relationship with other registered investment advisers will be fully disclosed to the client in the Solicitors Written Disclosure Statement.

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Investors Professional Services, Inc. is an Iowa corporation principally owned by Howard Richard Dobson, Sr., Chairman/CEO/CCO of AFM. Investors Professional Services, Inc. is a financial services firm and may receive compensation in the form of commissions; Howard Richard Dobson, Sr., Howard Richard Dobson, Jr. and Glen C. Henry are licensed for life & health insurance in Iowa and other states and may receive compensation when appropriate.

In addition, AFM may enter into contracts or agreements to provide investment management opinions, research, signals and/or allocation models to other registered investment advisory firms and/or investment adviser representatives on a percentage and/or a flat fee basis.

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Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

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We have adopted a "Code of Ethics" designed to comply with Rule 204A-1 under the Investment Advisers Act of 1940 ("Advisers Act"). The code establishes rules of conduct for all officers, employees and associated persons of American Financial Management, Ltd.

The code is designed to ensure that the high ethical standards long maintained by AFM continue to be applied. The purpose of the code is to preclude activities which may lead to or give the appearance of conflicts of interest, insider trading and other forms of prohibited or unethical business conduct.

The firm and its employees are prohibited from engaging in fraudulent, deceptive and manipulative conduct. The firm and its employees will act solely in the best interest of its client at all times. AFM will provide a copy of the code of ethics to any client or prospective client upon request.

On occasion, the interests of AFM related persons that own accounts may correspond with advisory client's interests. At such times, related persons may buy or sell for their own accounts the same security that is recommended to clients to buy or sell. However, client's orders always take precedent over orders placed in related person's accounts. As these situations may represent a conflict of interest, AFM has established written supervisory procedures that include personal investment and trading policies for representatives and its employees. These procedures are distributed to all employees and associated persons and they acknowledge that they have read, understand and agree to abide by our policies and procedures. The policies include:

- Associated persons cannot prefer their own interests to that of the client
- Associated persons cannot purchase or sell any security for their own personal accounts prior to implementing transactions for client accounts

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- Associated persons cannot buy or sell securities for their personal accounts when those decisions are based on information obtained as a result of their employment, unless that information is also available to the investing public upon reasonable inquiry
- We maintain a list of all securities holding for the firm and all associated persons, this list is reviewed on a regular basis by our chief compliance officer and other qualified persons.

Any officer, employee or associated persons not observing our policies, or violating any applicable state or federal advisory practice regulations, is subject to sanctions up to and including termination. A copy of our Code of Ethics is available upon request.

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Item 12 – Brokerage Practices

American Financial Management, Ltd. does not have any affiliation with product sales firms, does not make custodian recommendations to clients, does not recommend discount brokerage firms and/or trust companies to clients and does not receive fees or commissions from any of these arrangements.

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Item 13 – Review of Accounts

AFM does not review individual client accounts or financial plans on a periodic basis.

Accounts are reviewed based on individual fund family and investment strategy by AFM's Investment Committee at least monthly. AFM does not issue or provide regular reports to clients on their managed accounts.

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Item 14 – Client Referrals and Other Compensation

AFM does not currently pay or receive compensation for client referrals, sales awards or other prizes.

Howard Richard Dobson, Sr., Howard Richard Dobson, Jr. and Glen C. Henry are registered representatives of American Financial Securities, Inc., a registered broker dealer. As such, they may receive customary commissions and/or non-cash sales incentives as a registered representative(s) and/or licensed agent(s) on the placement of particular investment, insurance, or annuity products.

AFM uses registered representatives to solicit clients for AFM. AFM's solicitor's agreement is in compliance with federal regulations as set out in 17CFR Section 275.206(4)-3. In such instances, the solicitor may receive a portion of the management fee. The solicitor's fee and the pursuant relationship with other registered investment advisors are fully disclosed to the client in the Solicitor's Written Disclosure Statement.

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AFM will supervise the solicitation activities of individuals engaged as associated persons. AFM will also furnish the names and addresses of individuals soliciting Asset Allocation/Risk Management advisory service upon request of any regulatory authority representing any State or Federal entity. Solicitation fees will be paid in compliance with all applicable SEC and State regulations.

AFM may also enter into solicitation agreements with other registered investment advisors. In such instances, AFM may pay a portion of the investment advisory fee to the other registered investment advisor.

This solicitation fee and the pursuant relationship with other registered investment advisors will be fully disclosed to the client in the Solicitor's Written Disclosure Statement pursuant to SEC Rule 206(4)-3. Generally, AFM may pay solicitors 10-50% of the collected management fee, at the discretion of AFM this amount may be higher.

American Financial Management, Ltd. from time to time may pay a marketing allowance to contracted registered IAR's for referring another qualified producing IAR to our firm. Said allowance shall be paid in accordance with the IAR's assignment form.

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Item 15 – Custody

American Financial Management, Ltd. does not custody client funds or securities. AFM does not prepare or provide client statements or regular reports.

Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. Client should carefully review all statements upon receipt.

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Item 16 – Investment Discretion

American Financial Management, Ltd. accepts discretionary authority to manage securities accounts on behalf of clients. For each managed account, the client completes a "Discretionary Authorization and Limited Power of Attorney" authorizing AFM to make discretionary exchanges in the mutual fund/variable annuity to be monitored under an advisory agreement between the advisory client and AFM to change investment position(s) from one fund to another within the same mutual fund/variable annuity group.

All assets managed by AFM shall at all times remain the physical possession of the mutual funds custodian and AFM shall have no authority to take or receive physical possession of any of the assets under its supervision. AFM has only the authority to exchange shares of one mutual fund group with

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other securities with which prior arrangements for exchange have been made and agreed upon between the advisory client and AFM with the purpose of the Advisory Agreement.

The advisory client authorizes the mutual fund group designated to furnish AFM all information relating to transactions in the shareholder account including without limitation to the purchase and redemption of shares, all dividend and capital gains distributions paid in cash or reinvested, and exchanges between funds. Such information may be supplied with respect to any mutual fund within the fund group in which the shareholder has had, now has, or in the future may have an account. The advisory client further authorizes AFM to receive Investors copies of investment statements or confirmations of purchases and sales directly from each mutual fund in order that AFM will have the information available promptly after each transaction. The mutual fund group may rely on these instructions until amended or revoked in writing by the client.

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Item 17 – Voting Client Securities

AFM does not have any authority to and does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. Clients should contact the custodian of their securities with any questions pertaining to proxy voting.

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Item 18 – Financial Information

American Financial Management, Ltd. is required in this item to provide you with certain financial information or disclosures about AFM's financial condition. AFM has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding. Independent Auditors Report and Balance Sheet for AFM as of January 31, 2014 follows:

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**Independent Auditor's Report**

Board of Directors  
American Financial Management, Ltd.  
Cedar Falls, Iowa

**Report on the Financial Statements**

I have audited the accompanying financial statements of American Financial Management, Ltd., which comprise the balance sheet as of January 31, 2014 and 2013, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

**Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the American Financial Management, Ltd. as of January 31, 2014 and 2013, in accordance with accounting principles generally accepted in the United States of America.

Keith Oltrogge  
Certified Public Accountant  
IA Certificate #R2085  
Fed ID# 01-0852927

Denver, Iowa  
March 13, 2014

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AMERICAN FINANCIAL MANAGEMENT, LTD.  
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BALANCE SHEETS  
January 31, 2014 and 2013

-ASSETS-

	2014	2013
CURRENT ASSETS:		
Cash	\$ 2,410	\$ 8,431
Investments – Mutual Funds – at market value	72,653	62,850
Accounts receivable	81,882	7,855
Income tax refund receivable	1,760	1,760
Prepaid commissions and management fee	666,127	645,796
Total Current Assets	<u>\$ 824,832</u>	<u>\$ 726,692</u>
EQUIPMENT:		
Equipment-at cost	\$ 195,229	\$ 195,228
Less accumulated depreciation	-195,093	-194,744
Total Equipment	<u>\$ 136</u>	<u>\$ 484</u>
OTHER ASSET:		
Deferred tax annuity-at market	<u>\$ 48,129</u>	<u>\$ 39,072</u>
TOTAL ASSETS	<u><u>\$ 873,097</u></u>	<u><u>\$ 766,248</u></u>

These financial statements should be read only in connection with the accompanying summary of significant accounting policies and notes to financial statements.

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BALANCE SHEETS  
January 31, 2014 and 2013

-LIABILITIES AND STOCKHOLDERS' EQUITY-

	2014	2013
CURRENT LIABILITIES:		
Commissions payable	\$ 346,965	\$ 186,758
Deferred revenue	412,171	304,470
Deferred income tax	-	17,000
Total Current Liabilities	\$ 759,136	\$ 508,228
LONG-TERM LIABILITY:		
Deferred income tax	2,500	600
Total Liabilities	\$ 761,636	\$ 508,828
STOCKHOLDERS' EQUITY:		
Common stock, \$100 par value, 1,000 shares authorized, 51 shares issued and outstanding	\$ 5,100	\$ 5,100
Additional paid-in-capital	\$ 36,840	\$ 36,840
Retained earnings-beginning of year	\$ 213,350	\$ 319,647
Net income (loss) for the year	-145,959	-106,297
Retained earnings-end of year	\$ 67,391	\$ 213,350
Unrealized gain (loss) on investment securities – other comprehensive income	2,130	2,130
Total Stockholders' Equity	\$ 111,461	\$ 257,420
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 873,097	\$ 766,248

These financial statements should be read only in connection with the accompanying summary of significant accounting policies and notes to financial statements.



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NOTES TO FINANCIAL STATEMENTS  
January 31, 2014 and 2013

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Company is an investment advisory firm registered with the Securities and Exchange Commission under the Investment Advisors Act of 1940. The Company provides investment advisory services to individuals, corporations, pension and profit-sharing plans, as well as to other investment advisors in approximately 43 states where they are registered within the continental United States.

Use of Estimates in Preparing Financial Statements – The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement. Actual results could vary from those estimates.

Allowance for Un-collectible Accounts – Accounts receivable has been adjusted for all known un-collectible accounts. No allowance for bad debts is considered necessary at year-end.

Property and Equipment – The Company provides for depreciation of equipment using annual rates, which are sufficient to amortize the cost of the depreciable assets over their estimated useful lives, generally from 5 to 7 years. The Company uses an accelerated method for computing depreciation. For tax purposes the Company has, in the past, expensed equipment when purchased.

Revenue and Expense Recognition – Investment advisory fees are collected in advance and are recognized ratably over the period specified in each investment advisory agreement. This results in a deferral of a portion of investment advisory income. Management fees are paid to a stockholder (see Note 3) based on a percentage of advisory fee income and are recognized as an expense ratably over the duration of the investment advisory agreements. This results in recognition of a portion of management fees as a prepaid expense, together with the commissions paid to brokers.

Income Taxes – The Company maintains its accounting records on the cash basis for income tax purposes and on the accrual basis for financial statement purposes, resulting in deferred income tax assets and liabilities on the temporary difference in reporting of accounts receivable, prepaid commissions/fees, accounts payable, deferred revenue, the excess of depreciation for tax purposes over the amount for financial statement purposes and deferred tax annuity investment income. Deferred tax assets are reduced by a valuation allowance if it is deemed more likely than not that some or all of the deferred tax assets will not be realized.

Advertising – The Company expenses advertising costs as they are incurred.

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NOTES TO FINANCIAL STATEMENTS  
January 31, 2014 and 2013

**NOTE 2 – DEFERRED TAX ANNUITY**

This represents a variable rate contract currently valued at \$48,129. The Company's original cost in this contract is \$42,000. The Company recorded a gain on this annuity of \$9,057 in the fiscal year ending January 31, 2014.

**NOTE 3 – RELATED PARTY TRANSACTIONS**

The Company has an agreement requiring the payment of management fees to a 2% stockholder, Investors Professional Services, Inc. (IPS). The remaining stockholders of the Company own 100% of the stock of IPS. These fees are based on a percentage of advisory income less specific expenses. Management fees for the years ended January 31, 2014 and 2013 amounted to \$693,700 and \$642,300, respectively. In addition, prepaid management fees were \$455,000 and \$485,000, respectively, at January 31, 2014 and 2013.

**NOTE 4 – STOCK RESTRICTIONS**

The sale of the individual shares of stock in this Company is restricted in that when a share is offered for sale or when the outstanding common stock is increased, the individual shares shall first be offered at not less than par to the existing stockholders proportionate to their holdings, and if not purchased within ninety (90) days, then the shares may be sold to others.

**NOTE 5 – SIGNIFICANT GROUP CONCENTRATION OF CREDIT RISK**

Most of the Company's business activity is with investors and brokers who desire investment advisory services. As of January 31, 2014 and 2013, receivables from obligations of customers were \$81,882 and \$7,855, respectively. Credit losses have been recognized on a current basis. The Company's policy does not require collateral for the issuance of credit.

**NOTE 6 – INVESTMENTS**

Investments are in a variety of Mutual Funds. Cost basis in these funds are \$70,523 at January 31, 2014 with a market value at that date of \$72,653. The unrealized gain at January 31, 2014 is \$2,130.

**NOTE 7 – SUBSEQUENT EVENTS**

Subsequent events have been evaluated by management through March 13, 2014, the date the financial statements were available to be issued.