

**Form ADV Part 2A: Appendix 1 – Wrap Fee Program Brochure**

**Retirement Ally Program**

**Brokers International Financial Services, LLC**

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Date of Brochure: March 31, 2014

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This **Wrap Fee Program Brochure** provides information about the qualifications and business practices of Brokers International Financial Services, LLC ("Brokers Financial") and details for the **Retirement Ally Program**. If you have any questions about the contents of this brochure, please contact us at (877)-886-1939 or at [compliance@brokersifs.com](mailto:compliance@brokersifs.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.

Brokers International Financial Services, LLC is a registered investment adviser. While registration is required under law, registration of an investment adviser or broker-dealer does not imply any specific level of skill or training.

Additional information about Brokers International Financial Services, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) and on FINRA's website at [www.finra.org/brokercheck](http://www.finra.org/brokercheck)

## **Item 2 – Material Changes**

On July 28, 2010, the United States Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that Brokers Financial provides to clients as required by applicable rules and regulations. This Disclosure Brochure dated March 31, 2014 is a new document prepared according to the new requirements and rules. This item will discuss only specific material changes that are made to the Disclosure Brochure and provide readers with a summary of such changes. We will also reference the date of the last annual update of the brochure.

In the past our Firm has offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new rules, 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 a copy of the most current Disclosure Brochure. We may also provide other ongoing disclosure information about material changes as necessary.

The following summarizes the material changes made to the Brokers Financial brochure since June 18, 2013:

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

#### **Jefferson National Accounts**

Brokers Financial IARs may recommend no load variable annuities from Jefferson National. In conjunction with the purchase, Brokers Financial is engaged by the client as a Third Party Investment Adviser (TPIA) to manage investment sub-accounts contained within the purchased variable annuity product according to Retirement Ally strategies. The investment choices are limited to the investment sub-accounts which comprise the variable product. Jefferson National completes the performance reporting, billing and collection of fees and remits the fees attributed to the investment management to Brokers Financial. Brokers Financial does not take custody of client assets for this program, the assets are held directly at Jefferson National.

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

Brokers International Financial Services, LLC (referred to as “Brokers Financial” in this document) has developed and sponsors the **Retirement Ally Program** (referred to simply as the “Program” in this document). The Program is a wrap-fee program. Only investment advisor representatives of Brokers Financial may provide advisory services within the Program. Therefore, participants in the Program must be advisory clients of Brokers Financial.

Our investment advisor representatives (IARs) are not employees of Brokers Financial, they are independent contractors. Our IARs are restricted to providing services and charging fees based in accordance with the descriptions detailed in this document. However, the exact services you will receive and the fees you will be charged are dependent upon your IAR. Fees may also vary depending on the geographic location of our clients and/or your IAR. Brokers Financial IARs are instructed to consider the individual needs of each client when recommending an advisory service.

Brokers Financial provides investment advisory services other than the Program described in this Wrap Fee Program Brochure. A description of the other fee based investment advisory services is available in our Form ADV Part 2A Disclosure Brochure. Some of our IARs are approved to also provide investment advice in their separate capacities as registered representatives of Brokers Financial in its separate capacity as a broker-dealer member FINRA/SIPC. In those capacities, our IARs that are also broker-dealer registered representatives may charge commissions on a per-transaction basis when implementing their advice on behalf of clients.

When making the determination of whether one of the advisory programs available through Brokers Financial is appropriate for their needs, clients should bear in mind that fee based accounts through Brokers Financial, when compared with commission based accounts may result in lower costs during periods when trading activity is heavier, such as the year an account is established. However, during periods when trading activity is lower, such arrangements may result in a higher annual cost for transactions. The total cost for transactions under a fee account versus a commission account can vary significantly and depends upon a number of factors. Some such factors include account size, amount of turnover (number of transactions), type and quantities of securities purchased or sold, commission rates and the client’s tax situation. Clients should have a conversation with their IAR and read this brochure carefully as it explains our program in detail.

#### **The Program sponsored by Brokers Financial**

The Retirement Ally Program is a professionally managed mutual fund and exchange-traded fund (“ETF”) asset allocation program in which Brokers Financial and its IARs provide ongoing investment advice and management. The IAR obtains the necessary financial data from the client, assists the client in determining the suitability of the program and assists the client in setting an appropriate investment strategy. The IAR selects a model portfolio of funds (“Portfolio”) designed by Brokers Financial (“Portfolio Strategist”) consistent with the client’s stated investment objective. The IAR provides ongoing investment advice on the selection or replacement of a Portfolio based on the client’s individual needs.

The IAR shall obtain information from clients to determine each individual client’s financial situation and investment objectives. Brokers Financial manages the account(s) on the basis of each client’s financial situation and investment objectives. At least annually, the IAR shall contact individual clients to determine whether their financial situation or investment objectives have changed, or if the client wants to impose and/or modify any reasonable restrictions on the management of accounts managed under the Program. Brokers Financial shall be reasonably available to consult with individual clients relative to the

status of their accounts. Client's beneficial interest in a security does not represent an undivided interest in all the securities held by the custodian, but rather represents a direct and beneficial interest in the securities which comprise the account. A separate account is maintained for each client with the custodian and clients retain right of ownership of the account (e. g. right to withdraw securities or cash, exercise or delegate proxy voting, and receive transaction confirmations).

The Portfolio Strategist is responsible for selecting the mutual funds and ETFs within a portfolio and for making changes to the funds selected. Your IAR will not have trading authorization over your Program accounts. However, the Portfolio Strategists will have discretion to buy and sell securities in the account according to the Portfolio selected. This authority will allow Brokers Financial to determine the type of securities and the amount of securities bought or sold for your account without obtaining your consent prior to each transaction. You will authorize Brokers Financial to have discretion by executing the Account Agreement and Application.

Brokers Financial acts as the overlay portfolio manager ("OPM") in coordinating the trades in the account. Brokers Financial as the OPM is responsible for the accounts in accordance with the allocations in the Portfolio. As deemed necessary, Brokers Financial will review an account to determine if rebalancing is appropriate. In addition, Brokers Financial will review an account for rebalancing in the event that the Portfolio Strategist changes the allocation targets.

Brokers Financial or a related person does not act as a principal (buys securities for itself or sells securities it owns to any client) in the Program. Brokers Financial or a related person does not affect transactions in which client securities are sold to or bought from a brokerage (commission-only) client.

### **Suitability**

The IAR will assist clients in determining their objective(s), investment strategy, and investment suitability, prior and subsequent to opening a Program account. Clients must advise their IAR of any changes in their investment objective(s) and/or financial situation. The IAR will assist a prospective client in a review of their investment objectives, investing time horizon, financial situation and investment risk tolerance. The IAR will also assist the prospective client in completing an investor questionnaire. Based on the answers provided in the investor questionnaire, the IAR will recommend one of a number of asset allocation models.

Brokers Financial and its IARs may provide different investment or asset allocation modeling recommendations to one client in the Program from that given to another client. The Program does not give investment advice as to assets that the client has chosen not to hold in a Program account.

We may manage a client's account in accordance with one or more investment models. When client accounts are managed using models, investment selections are based on the underlying model and we do not develop customized (or individualized) portfolio holdings for each client. However, the determination to use a particular model or models is always based on each client's individual investment goals, objectives and mandates.

### **Brokerage, Clearing and Custody**

For accounts managed through the Program, Brokers Financial requires clients to use TD Ameritrade which shall serve as the client's broker-dealer and qualified custodian. It should be noted that not all investment advisors require the use of a particular broker/dealer. Some investment advisors will manage accounts held at a broker/dealer chosen by the client. If you decide to participate in the Program once an Investment Management Agreement is signed, the IAR will assist you with the establishment of an

account ("Account") at TD Ameritrade, a registered broker-dealer and member of the Securities Investor Protection Corporation (SIPC). TD Ameritrade serves as the qualified custodian for accounts opened through the Program. In order to participate in the Program you will need to name Brokers Financial as your investment adviser on the account.

The recommendation of TD Ameritrade is based on past experiences, minimizing commissions and other costs as well as offerings or services the broker-dealer provides that Brokers Financial or the client may require or find valuable such as online access. Clients may pay commissions higher than those obtainable from other broker-dealers in return for those products or services. Commission and fee structures of various broker-dealers are periodically reviewed to ensure clients are receiving best execution. Accordingly, while Brokers Financial will consider competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. Therefore, the overall services provided by the broker-dealer are evaluated to determine the best execution.

TD Ameritrade offers to independent investment advisors (such as Brokers Financial) services which include custody of securities, trade execution, clearance and settlement of transactions. Brokers Financial is independent and unaffiliated with TD Ameritrade.

We do not receive client referrals from TD Ameritrade; however, we do receive certain benefits from TD Ameritrade. Costs associated with TD Ameritrade may be higher than other broker-dealers in return for those products and services. Commission and fee structures of various broker-dealers are periodically reviewed to analyze quality of overall execution services. Accordingly, while Brokers Financial will consider competitive rates, it may not necessarily obtain the lowest possible commission rates or most favorably execution services for client account transactions. Therefore, the overall services provided by broker-dealers are evaluated to determine best execution.

While there is not a direct linkage between the investment advice provided to clients and Brokers Financial recommendation to use TD Ameritrade, economic benefits are received by Brokers Financial which would not be received if the Firm did not give investment advice to clients and are not typically available to TD Ameritrade retail clients. These benefits include the following products and services (provided without cost or at a discount): duplicate client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving advisor participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to us by third party vendors.

TD Ameritrade may also pay for business consulting and professional services received by our related persons and may also pay or reimburse expenses (including travel, lodging, meals and entertainment expenses) for our personnel to attend conferences or meetings relating to the program or to their advisory custody and brokerage services generally. Some of the products and services made available by TD Ameritrade benefit us but may not benefit our client accounts. These products or services may assist us in managing and administering your accounts, including accounts not maintained at the broker-dealer offering the service. Other services are intended to help us manage and further develop our business enterprise. The benefits received by us or our personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. You should be aware, however, that the receipt of economic benefits by us or our related persons in and of itself, creates a

potential conflict of interest and may indirectly influence our recommendation of TD Ameritrade for custody and brokerage services.

#### **Approved Service Providers**

Brokers Financial has entered into a written agreement BridgePortfolio.com to provide certain administrative and back-office functions for clients in the Program. Under this agreement, BridgePortfolio.com services that may be provided to Brokers Financial include, but are not necessarily limited to: due diligence assistance, performance and/or position reports for client accounts, calculation and deduction of management fees, trading of client accounts and other back-office support.

BridgePortfolio.com will not have direct contact or require any signed advisory agreements with our clients. However, as part of the clients' standard agreement with Brokers Financial they will be granted limited power of attorney on your account in order to enter transactions, when applicable, and in order to deduct advisory fees directly from your account. The BridgePortfolio.com fee for providing services to Brokers Financial is based upon the total assets held within our client accounts. BridgePortfolio.com will retain a portion of the Program's Fixed Cost (described below). Our use of the services provided by BridgePortfolio.com does not result in an increase in your overall management fee.

#### **Aggregation of Client Orders**

Transactions implemented by Brokers Financial for client accounts are generally affected independently, unless the firm decides 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 is used by the Firm when Brokers Financial believes such action may prove advantageous to clients. When Brokers Financial 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 the Firm's clients in proportion to the purchase and sale orders placed for each client account on any given day. When Brokers Financial determines to aggregate client orders for the purchase or sale of securities, including securities in which Brokers Financial may invest, the Firm will do so in accordance with the parameters set forth in the SEC No-Action Letter, *SMC Capital, Inc.* It should be noted, Brokers Financial does not receive any additional compensation or remuneration as a result of aggregation.

#### **Trading Error Policy**

Brokers Financial 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 Brokers Financial 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 but will not receive any gains generated as a result of the error correction. In 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 Brokers Financial or the IAR if the error was caused by Brokers Financial or the IAR.

TD Ameritrade may maintain gains resulting from correcting a trade error that are not retained by the client and in some instances may use such gains to offset overall losses Brokers Financial incurs from trading errors.

### **Custody**

Custody, as it applies to investment advisers, 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 adviser has the ability to access or control client funds or securities, the investment adviser is deemed to have custody and must ensure proper procedures are implemented.

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

For accounts in which Brokers Financial is deemed to have custody, the Firm has established procedures to ensure all client funds and securities are held at a qualified custodian (i.e. TD Ameritrade) in a separate account for each client under that client's name. Client(s) or a duly authorized independent representative of the client will direct, in writing, the establishment of all accounts and therefore become 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 Brokers Financial or any other source. When clients have questions about their account statements, they should contact their IAR, Brokers Financial or the qualified custodian preparing the statement.

### **Program Fees**

The annual management fee charged for the Program may be negotiated with each client and is based on the client's assets under management, i.e. assets held in the account(s). The program fee includes two components: the Fixed Costs and the management fee paid to the IAR. Fixed costs are used to pay the various parties responsible for providing services through the Program. These parties include Brokers Financial for its operational and compliance functions and BridgePortfolio.com. The portion of the advisory fee charged by a Brokers Financial IAR will vary by representative. Some IARs may charge clients a set percentage based fees while other representatives may implement a tiered schedule similar to the Fixed Cost. However, Brokers Financial IARs may not charge fees that result in the total fee of the Program exceeding 2.85% annual. The client's IAR will provide the exact percentage based fee to each client based on both the nature and total dollar asset value of that account(s). The fee will be stated in the Client Fee Schedule which must be signed by both Brokers Financial and the client. The following is a general fee schedule used by Brokers Financial and is provided for illustrative purposes.

Account Value	Fee*
\$0- \$1,000,000	1.00%
>1,000,001 - \$2,500,000	.85%
>2,\$500,000 - \$3,500,000	.64%
>\$3,500,001	.51%

\*Represents Program Fixed Cost

Management fees are calculated and billed quarterly, in advance, based on the value of the client's account(s) at the end of the prior quarter. Fees are calculated based on all investments held or connected with the account and include money market and cash balances. However, Brokers Financial may exclude from the fee calculation certain portions that are transferred in to a Program account as an accommodation and/or are not actively managed by Brokers Financial.

Clients must provide written authorization to have fees deducted from the account and paid to Brokers Financial. TD Ameritrade sends client brokerage account statements, at least quarterly, showing all disbursements for the account including the amount of the advisory fee, when deducted directly from the account. Additionally, if a client has multiple managed accounts, they may choose to aggregate the fees charged in accounts to be deducted from a specified account. When fees are paid from other accounts, management fee debits will be noted on the account statement from which they are deducted.

The program fee covers Brokers Financial advisory services and all trade execution fees charged by TD Ameritrade. Therefore, clients are not charged transaction fees separately from the program fee. This creates an incentive to make fewer trades when managing accounts because TD Ameritrade charges Brokers Financial on a transaction-by-transaction basis. During periods when trading activity is lower, Brokers Financial nets higher revenue because there are lower trading costs imposed by TD Ameritrade. When trading activity is higher, Brokers Financial revenue is reduced in order to cover the added TD Ameritrade trading expenses.

The Program may cost the client more or less than purchasing such advisory and execution services separately. As disclosed in this section, Brokers Financial receives compensation as a result of a client's participation in Program. Brokers Financial therefore has a financial incentive to recommend the Program over other programs or services. The amount of Brokers Financial's compensation may be more than what a client would receive if the client participated in programs sponsored by other financial firms or paid separately for investment advice, brokerage, and other services.

### Jefferson National Accounts

Specific differences with regard to the Retirement Ally strategies offered within Jefferson National Variable Annuities are outlined below:

#### Management, Custody, and Fees

Brokers Financial IARs may recommend no load variable annuities from Jefferson National. In conjunction with the purchase, Brokers Financial is engaged by the client as a Third Party Investment Adviser (TPIA) to manage investment sub-accounts contained within the purchased variable annuity product according to Retirement Ally strategies. The investment choices are limited to the investment sub-accounts which comprise the variable product. Jefferson National completes the performance reporting, billing and collection of fees and remits the fees attributed to the investment management to Brokers Financial. Brokers Financial does not take custody of client assets for this program, the assets are held directly at Jefferson National.

#### Jefferson National Accounts Only

Account Value	Fee*
\$0- \$3,500,000	.60%

\*Represents Program Fixed Cost

### **Other Fees**

Clients shall also incur certain charges imposed by third parties other than Brokers Financial in connection with investments made through the account, including but not limited to, mutual fund sales loads, surrender charges, and IRA and qualified retirement plan fees charged by TD Ameritrade, a product sponsor or other third party. Program fees charged by Brokers Financial are separate and distinct from the fees and expenses charged by investment company securities that may be recommended to clients. A description of these fees and expenses are available in each investment company security's prospectus.

The Program Fee does not cover odd-lot differentials, American Depositary Receipt fees, exchange fees, transfer fees and other fees imposed by law; redemption fees imposed by certain Mutual Funds; and any contingent deferred sales charge assessed on the sale or liquidation of Mutual Fund shares, where applicable. In addition, it does not cover certain services available on request from Brokers Financial, including periodic distribution fees, electronic funds and wire transfer fees, certificate delivery fees, and reorganization fees; and any check reordering cost and fees, where applicable.

### **Termination of Services**

Program services may be canceled at any time, by any of the parties, for any reason upon receipt of written notice to the other party.

For TD Ameritrade accounts, services will be terminated without penalty and the client will receive a pro-rated refund of any fees paid in advance but not fully earned by Brokers Financial and the IAR. The refund will be based on the number of days remaining in the quarter after notice of termination is received.

Brokers Financial will cooperate fully in any requests to deliver funds and securities held in the Account to another custodian. TD Ameritrade charges an Account Transfer fee when the client transfers the account(s) to a different custodian. Please refer to the TD Ameritrade fee schedules for details. Termination of services will not affect the liabilities or obligations of the parties arising out of transactions initiated prior to termination.

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

### **Account Minimums**

The minimum initial investment is generally \$25,000 for a Retirement Ally Program Account. Brokers Financial reserves the right to close a Program Account if its balance falls below a certain level. Brokers Financial also reserves the right to terminate its services if it believes the rendering of its investment advisory services is no longer appropriate for a client.

### **Opening an Account**

To become a Program participant, an agreement between the client and Brokers Financial must be executed. In addition, the client will be required to establish a brokerage account through Brokers Financial and held at TD Ameritrade.

### **Types of Clients**

We offer advisory services to:

- Individuals;
- High-Net Worth Individuals;
- Trusts, estates, or charitable organizations;
- Corporations or business entities.

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

In the Program, Brokers Financial and the IAR are responsible for the overall investment advice and management services offered to clients. The client selects the IAR who monitors the account and Brokers Financial serves as the Portfolio Strategist. The Program does not allow IARs or clients to utilize Portfolio Strategists that are not associated with Brokers Financial. In other words, the only Portfolio Strategist selected for managing client assets in the Program is Brokers Financial. Therefore, conflicts of interest present in other wrap-fee programs that make available both affiliated and unaffiliated Portfolio Strategists are not present in this Program. Most of the items required by this item of the Wrap Fee Program Brochure instructions do not apply to Brokers Financial. Items that do apply are answered below.

### **Description of Other Advisory Services**

Because Brokers Financial serves as the Portfolio Strategist of the Program, the following is provided as brief descriptions of Brokers Financial primary services. Detailed descriptions of Brokers Financial services other than the Program are provided in our Form ADV Part 2A Disclosure Brochure.

**Financial Planning** - We provide advisory services in the form of financial planning services. Financial planning services do not involve the active management of client accounts, but instead focuses on a client's overall financial situation. Financial planning can be described as helping individuals determine and set their long-term financial goals, through investments, asset allocation, risk management, retirement planning, and other areas. The role of a Financial Advisor in providing financial planning services is to find ways to help the client understand his/her overall financial situation and help the client set financial objectives.

**Hourly Consulting Services** – We provide advisory services in the form of hourly consulting services. Hourly consulting services do not involve the active management of client account, but instead focuses on the client's overall financial situation. Hourly consulting services can be described as advice regarding tax planning, asset allocation, risk management, retirement planning and other areas. The role of the IAR is to tailor the services to the needs of the client based on the investment objective chosen by the client. The IAR makes recommendations as to general types of investment products or securities that may be appropriate for the client to consider and may also provide recommendations regarding specific investments or securities.

**Financial Planning Seminars** – We provide advisory services in the form of financial planning seminars. Financial planning seminars may include topics related to wealth management, financial planning, retirement strategies or various other economic and investment topics. Information presented will not be based on any one person's needs and individualized investment advice will not be provided to attendees during the seminar. Attendees are encouraged to have individual consultations with the IAR and to have a financial plan prepared but are under no obligation to do so. The IAR may receive approval to conduct financial planning seminars for corporate employees.

**Retirement Plan Consulting Services** – We provide advisory services in the form of retirement plan consulting services. We offer retirement consulting services to employee benefit plans and their fiduciaries. The services are designed to assist the plan sponsor (the “Company”) in meeting its management and fiduciary obligations to the plan under ERISA. Retirement consulting services will consist of general or specific advice, and may include any one or all of the following:

1. Platform Provider Research and Plan Set-up
2. Strategic Planning and Investment Policy Development/Review
3. Plan Review
4. Plan Fee and Cost Review
5. Acting as a Third Party Service Provider Liaison
6. Assessment of Plan Investments and Investment Options
7. Plan Participant Education and Communication
8. Plan Benchmarking
9. Plan Conversion to New Vendor Platform
10. Assistance in Plan Merger
11. Investment Manager Search

The Company may also engage us to provide a review of executive benefits, for separate compensation.

We will determine with the Company in advance the scope of the services to be performed and the fees for all requested services. Prior to engaging us to provide retirement consulting services, the Company will be required to enter into a written agreement with us setting forth the terms and conditions of the engagement, describing the scope of the service to be provided, and the relevant fees and fee paying arrangements. We will also provide additional disclosures about their services and fees, where required by ERISA. When we perform the agreed upon services, we will not be required to verify the accuracy or consistency of any information received from the Company. We will serve in a nondiscretionary ERISA fiduciary capacity with respect to some but not all of the services that we provide which will be further explained in the written agreement we sign with the Company. The Company is always free to seek independent advice about the appropriateness of any recommendations made by us.

**Asset Management** - We provide advisory services in the form of Asset Management Services outside of this Program. This includes Brokers Financial Flexible Managed Account Program and the Brokers Financial Wrap Fee Program. Asset Management Services involve providing clients with continuous and on-going supervision over client accounts. This means that we will continuously monitor a client’s account and make trades in client accounts when necessary.

**Outside Money Manager** - We also provide advisory services by referring clients to outside, or unaffiliated, money managers that are registered or exempt from registration as investment advisers. Under this service the third-party money managers will be responsible for continuously monitoring client accounts and making trades in client accounts when necessary.

**Specialization** - The firm specializes in providing individualized investment advice through its asset management services.

**Advice on Certain Types of Investments** - Our Firm 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)
- Foreign Issues
- Warrants
- Corporate debt securities (other than commercial paper)
- Commodities (i.e. precious metals)
- Futures contracts on tangibles or intangibles,
- Commercial paper
- Certificates of deposit
- Municipal securities
- Variable life insurance
- Variable annuities
- United States government securities
- Options contracts on securities
- Interests in partnerships investing in real estate, oil and gas interests. These types of investments are often illiquid, which means that the investments can be difficult to trade and consequently limits a client's ability to dispose of such investments in a timely manner and at an advantageous price. Additionally, limited partnership investments may not have been registered pursuant to the Securities Act of 1933, and therefore the client will need to complete a subscription agreement showing the client is an "accredited" investor (as defined by applicable law and rules and regulations) and acknowledge that he or she has read and understands the private placement memorandum and is aware of the various risk factors associated with such an investment.

Brokers Financial does not provide advice on options contracts on commodities or hedge funds.

When providing Asset Management Services, the Firm will typically construct each client's account holdings using mutual funds and equities to build diversified portfolios. It is not the Firm's 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 take into consideration situations like: low basis stock, stock options, legacy holdings, inheritances, closely held businesses, collectibles, or special tax situations.

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

As thoroughly discussed in this brochure, we offer services through both wrap-fee programs and non-wrap fee programs.

- A wrap fee program, such as the Retirement Ally 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 investment advisory services (which may include portfolio management or advice concerning the selection of other investment advisers) and the execution of client transactions.

- A non-wrap fee program traditionally includes individual transaction charges and other service charges in addition to any investment advisory fee that is charged.
- Whenever a fee charged to a client for services described in this brochure (whether wrap fee or non-wrap fee), Brokers Financial will receive all or a portion of the fee charged.

### **Performance-Based Fees and Side-By-Side Management**

Brokers Financial does not charge or accept performance-based fees. Regulators have defined performance based fees as charging fees based on a share of capital gains on or capital appreciation of the assets held within a client's account.

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

#### **A. Method of Analysis**

Brokers Financial IARs use various methods of analysis and investment strategies. Methods and strategies will vary based on the Brokers Financial IAR providing advice. Models and strategies used by one IAR may be different than strategies used by other IARs. Some Brokers Financial IARs may use just one method or strategy while other IARs may rely on multiple methods or strategies. Brokers Financial does not require or mandate a particular investment strategy be implemented by its IARs. Further, Brokers Financial has no requirements for using a particular analysis method and our IARs are provided flexibility (subject to Brokers Financial's supervision and compliance requirements) when developing their investment strategies. The following sections provide brief descriptions of some of the more common methods of analysis and investment strategies that are used by our IARs.

***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.

The risk associated with fundamental analysis is that it is somewhat subjective. While a quantitative approach is possible, fundamental analysis usually entails a qualitative assessment of how market forces interact with one another in their impact on the investment in question. It is possible for those market forces to point in different directions, thus necessitating an interpretation of which forces will be dominant. This interpretation may be wrong, and could therefore lead to an unfavorable investment decision.

***Technical*** - 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.

Technical analysis is even more subjective than fundamental analysis in that it relies on proper interpretation of a given security's price and trading volume data. A decision might be made based on a historical move in a certain direction that was accompanied by heavy volume; however, that heavy volume may only be heavy relative to past volume for the security in question, but not compared to the future trading volume. Therefore, there is the risk of a trading decision being made incorrectly, since future trading volume is an unknown. Technical analysis is also done through observation of various market sentiment readings, many of which are quantitative. Market sentiment gauges the relative degree of bullishness and bearishness in a given security, and a contrarian investor utilizes such sentiment advantageously. When most traders are bullish, then there are very few traders left in a position to buy the security in question, so it becomes advantageous to sell it ahead of the crowd. When most traders are bearish, then there are very few traders left in a position to sell the security in question, so it becomes advantageous to buy it ahead of the crowd. The risk in utilization of such sentiment technical measures is that a very bullish reading can always become more bullish, resulting in lost opportunity if the money manager chooses to act upon the bullish signal by selling out of a position. The reverse is also true in that a bearish reading of sentiment can always become more bearish, which may result in a premature purchase of a security.

## **B. Investment Strategies**

Brokers Financial utilizes several strategies when managing client accounts. Included are:

**Long term purchases** - Investments held at least a year.

**Short term purchases** - Investments sold within a year.

**Tactical asset allocation** - Allows for a range of percentages in each asset class (such as Stocks = 40-50%). These are minimum and maximum acceptable percentages that permit the investor to take advantage of market conditions within these parameters. Thus, a minor form of market timing is possible, since the investor can move to the higher end of the range when stocks are expected to do better and to the lower end when the economic outlook is bleak.

**Strategic asset allocation** - Calls for setting target allocations and then periodically rebalancing the portfolio back to those targets as investment returns skew the original asset allocation percentages. The concept is akin to a "buy and hold" strategy, rather than an active trading approach. Of course, the strategic asset allocation targets may change over time as the client's goals and needs change and as the time horizon for major events such as retirement and college funding grow shorter.

## **C. Risk of Loss**

Clients must understand that past performance is not indicative of future results. Therefore, current and prospective clients (including 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. Clients and prospective clients 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 our Firm invests in an ETF or mutual fund, it will bear additional expenses based on its pro rata share of the ETFs 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.

### **Voting Client Securities**

Brokers Financial will not vote proxies on behalf of your account. While there are some investment advisors that will vote proxies and other corporate decisions on behalf of their clients, we have determined that taking on the responsibility for voting client securities does not add enough value to the

services provided to clients to justify the additional compliance and regulatory costs associated with voting client securities. Therefore, it is your responsibility to vote all proxies for securities held in your accounts managed by our Firm.

You will receive proxies directly from your account custodian or investment transfer agent and these documents will not be delivered by our Firm. Although we do not vote client proxies, if you have a question about a particular proxy feel free to contact us.

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

IARs are responsible for gathering all information provided by clients. IARs will interview and work with clients to gather all information needed relative to their investment objectives and needs. Clients need to contact their IAR whenever there are changes to their financial situation or investment objective. Clients should understand that the investment objective selected for the Program on the Account Information Form is an overall objective for the entire account and may be inconsistent with a particular holding and the account's performance at any time. Clients should also be aware that achievement of the stated investment objective is a long-term goal for the account.

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

Brokers Financial does not place any restrictions on a client's ability to contact and consult with their IAR. Because the Portfolio Strategists does not provide individualized advisory services to Program clients, the Portfolio Strategist is generally not available to be contacted or consulted by Program clients. It is the policy of Brokers Financial to provide an "open channel" of communication between IAR and their clients. Clients are encouraged to contact their IAR whenever they have questions about the management of their account.

### **Item 9 – Additional Information**

#### **Disciplinary Information**

April 4, 2012 – Regulatory Action Initiated by the Financial Industry Regulatory Authority

On April 4, 2012 Brokers Financial submitted a Letter of Acceptance, Waiver and Consent (AWC) to the Financial Industry Regulatory Authority (FINRA) for the purpose of settling alleged rule violations. Brokers Financial entered into the AWC without admitting or denying the findings and was censured and fined \$16,000 for failing to make timely filings or making inaccurate filing for reportable events under FINRA and NASD Rules, deficient written supervisory procedures, and allowing an individual to be associated with the firm who had become disqualified from FINRA registration related to a felony conviction due to a motor vehicle violation.

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

Brokers Financial is **not** and does **not** have a related company that is a:

- (1) 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)
- (2) Other investment adviser or financial planner
- (3) Futures commission merchant, commodity pool operator, or commodity trading advisor, (4) banking or thrift institution

- (4) Accountant or accounting firm
- (5) Lawyer or law firm
- (6) Pension consultant,
- (7) Real estate broker or dealer
- (8) Sponsor or syndicator of limited partnerships

Our principal business is that of a securities broker-dealer. Brokers Financial spends in excess of 65% of its time on securities brokerage business.

Participation or Interest in Client Transactions - in addition to its investment adviser business, Brokers Financial is a registered broker-dealer. Through its broker-dealer representatives Brokers Financial transacts business in a variety of securities products. Most of these products generate compensation in the form of commissions to both the representative and to Brokers Financial.

Material arrangements with related entities - in addition to being a dually registered broker-dealer and investment adviser, Brokers Financial is licensed as an insurance agency. IARs of Brokers Financial will normally have a contract relationship with that agency and solicit Clients to purchase insurance. Products sold by IARs in their capacity as insurance agents or brokers will generally involve first year commissions significantly higher than those of adviser program fees.

Brokers Financial is a wholly owned subsidiary of Brokers International, Ltd. ("Advisor's Owner" or "BI"). BI is an insurance agency that wholesales disability insurance, long-term care, life insurance and annuities to third-party insurance agents. BI is not registered as an investment advisor or securities broker-dealer. Brokers Financial IARs may also be employees of BI and/or may be licensed as insurance agents.

### **Code of Ethics Summary**

According to the *Investment Advisers Act of 1940*, an investment adviser is considered a fiduciary. As a fiduciary, it is an investment adviser's responsibility to provide fair and full disclosure of all material facts. In addition, an investment adviser has a duty of utmost good faith to act solely in the best interest of each of its clients. Brokers Financial and its supervised persons have a fiduciary duty to all clients. Brokers Financial has established a Code of Ethics, which all supervised persons must read and then execute an acknowledgement agreeing that they understand and agree to comply with Brokers Financial Code of Ethics. Brokers Financial and its supervised persons' fiduciary duty to clients is considered the core underlying principle for Brokers Financial Code of Ethics and represents the expected basis for all supervised persons' dealings with clients. Brokers Financial has the responsibility to make sure that the interests of clients are placed ahead of it or its associated persons' own investment interests. All supervised persons will conduct business in an honest, ethical and fair manner. All supervised persons will comply with all federal and state securities laws at all times. Full disclosure of all material facts and potential conflicts of interest will be provided to clients prior to services being conducted. All supervised persons have a responsibility to avoid circumstances that might negatively affect or appear to affect the supervised persons' duty of complete loyalty to their clients. This section is only intended to provide current clients and potential clients with a description of Brokers Financial Code of Ethics. If current or prospective clients wish to review Brokers Financial Code of Ethics in its entirety, a copy may be requested from any of Brokers Financial supervised persons and a copy will be provided promptly.

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

Brokers Financial is and shall continue to be in compliance with The Insider Trading and Securities Fraud Enforcement Act of 1988. Brokers Financial and our associated persons may buy or sell for their

personal accounts, investment products identical to those recommended to clients. It is the express policy of Brokers Financial that no associated person of our Firm may purchase or sell any security prior to a transaction being implemented for an advisory account, and therefore, preventing such associated persons from benefiting from transactions placed on behalf of advisory accounts. The Firm monitors this activity by a periodic review of all associated persons Personal Securities Transactions in accordance with our supervisory procedures.

A conflict of interest may arise if the IAR/associated person and a client own or trade in the same or similar security. The price at which an order is executed can vary significantly and may present a conflict of interest.

SEC regulations and Brokers Financial policies require that the client receive the best price and most favorable execution reasonably possible. In a situation where orders are entered for both the IAR/associated person and client accounts for substantially the same security, Brokers Financial will execute the IAR/associated person's order only after the client's order has been executed. Entering an order for the IAR/associated person's benefit before soliciting orders from clients potentially violates "front-running" standards. Therefore, Brokers Financial reserves the right to prohibit solicited client orders from which an IAR might directly or indirectly benefit for up to 48 hours after an IAR's trade is entered.

Brokers Financial IARs/associated persons have an obligation to submit orders so that the resulting price to the customer is as favorable as possible under prevailing market conditions.

### **Account Reviews and Reviewers**

BI Financial Services requires at least annual contact between IARs and their asset management clients. The purpose of the contact is to discuss changes in client's financial status, investment policy statement, investment objectives, and trading strategy to ensure the advisory program they are invested in continues to be an appropriate investment advisory services option. Review of the trading activity and addressing any question the client(s) may have should be part of this review. Additional reviews may be caused by a change in client circumstances or client request. Securities held in accounts managed by Brokers Financial are monitored periodically. The client's IAR is responsible for reviewing accounts on behalf of Brokers Financial.

Your IAR is the primary person responsible for reviewing your individual accounts managed by Brokers Financial. Your IAR may seek the advice of other Brokers Financial advisory personnel when conducting reviews and formulating strategies.

### **Statements and Reports**

Clients receive statements and confirmations from TD Ameritrade on at least a quarterly basis. Clients may opt-out of receiving confirmations for the Program. Clients may also receive quarterly, monthly, or on-demand reports showing the investment performance of their accounts from Brokers Financial.

**Clients are urged to compare the reports provided by Brokers Financial against the account statements they receive directly from the account custodian.**

### **Client Referrals and Other Compensation**

In addition to our typical Program arrangements, Brokers Financial may offer its Program under the following arrangements and may receive compensation and/or economic benefit for providing services under the Program:

### Solicitation Arrangements

Situations may arise in which unaffiliated individuals may solicit clients for Brokers Financial that they deem appropriate. Pursuant to a written referral agreement between Brokers Financial and unaffiliated individuals and other parties (collectively, "Solicitors"), Solicitors agree to refer prospective clients to Brokers Financial to participate in our investment management programs. Where applicable, the agreement will identify the roles and responsibilities of the solicitor, the IAR and Brokers Financial and the specific amount of the annual advisory fee to be shared with the solicitor. This fee compensates the Solicitor for referring clients to us, assisting in the enrollment of clients for participation in our programs, and facilitating communication between us and clients. The annual advisory fee charged to the client will not be affected if the client was introduced or referred by a solicitor. Through the Solicitors Written Disclosure Document, each client is made aware of the referral agreement prior to or at the time of entering into an advisory contract and acknowledges receipt of a current Brokers Financial Form ADV Part 2A or appropriate Wrap Fee Brochure. The advisory fee will be paid quarterly for so long as the client maintains an Investment Management Agreement with Brokers Financial and the solicitor's agreement with Brokers Financial remains in-force. If at any time either agreement is terminated, the advisory fee payments to the solicitor will cease.

### Other Compensation

Please refer to Item 4 for a description of the economic benefits received from TD Ameritrade.

Brokers Financial, its owner, Brokers International, Ltd., and our IARs in their separate capacity as an insurance agency and agent receive commissions for the recommendation/sale of annuities and other insurance products. Certain insurance companies may offer incentives in addition to the standard compensation to Brokers Financial, BI and your IAR acting in their separate capacities as insurance agents if your IAR sells a particular annuity or insurance product as a part of a special promotion during a specific brief window of time. Moreover, certain insurance companies may offer Brokers Financial IARs acting in their separate capacity as an insurance agent additional incentive compensation such as vacation trips for meeting a sales goal associated with the insurance agent's overall sale of a particular annuity or insurance product offered by that insurance company. Brokers Financial IARs acting in their separate capacity as an insurance agent may also utilize a third-party insurance marketing organization ("IMO"). The IMO may share with your IAR acting in a separate capacity as an insurance agent a portion of the overrides that the IMO receives from the insurance company for the IMO's wholesaling activities associated with the sale of an annuity or insurance product by the insurance agent. The IMO may also offer special incentive compensation such as vacation trips to your IAR acting in their separate capacity as an insurance agent if the insurance agent meets certain overall sales goals by placing annuities and/or other insurance products through the IMO.

You should be aware that the receipt of commissions and additional incentive compensation itself creates a conflict of interest and may affect the independent judgment of your IAR when making recommendations about annuities and insurance products in general or a particular annuity or insurance product offered by a certain insurance company or through an IMO.

Brokers Financial, in its capacity as an insurance agency, has entered into a referral arrangement with American Trust & Savings Bank, whereby Brokers Financial IARs acting in their separate capacities as insurance agents may refer clients to American Trust & Savings Bank's 401(k) retirement plan platform. When a client establishes an account through the 401(k) platform, American Trust & Savings Bank will pay Brokers Financial in its capacity as an insurance agency, a portion of the on-going percentage based fee charged to the client by American Trust & Savings Bank. Therefore, a conflict of interest exists between Brokers Financial and its clients when recommending the 401(k) plan services of American Trust

& Savings Bank over other 401(k) services. Clients are not obligated to use the services of America Trust & Savings Bank.

**Financial Information**

This item is not applicable to this brochure. Brokers Financial does not require or solicit prepayment of more than \$1,200 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. Brokers Financial is not subject to a financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients. Finally, Brokers Financial has not been the subject of a bankruptcy petition at any time.

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