

# Disclosure Brochure

March 31, 2015

## **American Financial & Tax Strategies, Inc.**

*a Registered Investment Adviser*

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This brochure provides information about the qualifications and business practices of American Financial & Tax Strategies, Inc. (hereinafter "American Financial & Tax Strategies"). If you have any questions about the contents of this brochure, please contact Robert Braglia at (212) 315-0345. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Additional information about American Financial & Tax Strategies, Inc. is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

American Financial & Tax Strategies, Inc. is an SEC registered investment adviser. Registration does not imply any level of skill or training.

## Item 2. Material Changes

This Item discusses only the material changes that have occurred since American Financial & Tax Strategies' last annual update filed March 28, 2014. American Financial & Tax Strategies has the following material changes to disclose.

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### Supervised Person Brochure Supplement(s)

## Item 4. Advisory Business

Founded by its President and principal owner, Robert Braglia, American Financial & Tax Strategies has been registered as an investment adviser since October 1993. The firm provides financial planning, consulting, and investment management services. American Financial & Tax Strategies believes its most important job is to help clients meet their investment objectives and financial goals.

Prior to engaging American Financial & Tax Strategies to provide any of the foregoing investment advisory services, the client is required to enter into one or more written agreements with American Financial & Tax Strategies setting forth the terms and conditions under which American Financial & Tax Strategies renders its services (collectively the “*Agreement*”).

As of February 25, 2015, American Financial & Tax Strategies has \$111,711,473 assets under management all of which are managed on a discretionary basis.

This Disclosure Brochure describes the business of American Financial & Tax Strategies. Certain sections will also describe the activities of *Supervised Persons*. *Supervised Persons* are any of American Financial & Tax Strategies’ officers, partners, directors (or other persons occupying a similar status or performing similar functions), employees, or any other person who provides investment advice on American Financial & Tax Strategies’ behalf and is subject to American Financial & Tax Strategies’ supervision or control.

### **Financial Planning and Consulting Services**

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American Financial & Tax Strategies may provide its clients with a broad range of comprehensive financial planning and consulting services. These services may include retirement, insurance, business planning, education, estate planning, investments, and tax and cash flow needs of the client. The firm generally only offers these services to its investment management clients as part of its wealth management services (described below and in Item 8) but may also offer these services to non-investment management clients on a limited basis. American Financial & Tax Strategies may charge an additional fee for these services, which will be charged on a fixed fee basis and negotiated with the client prior to rendering the services.

In performing its services, American Financial & Tax Strategies is not required to verify any information received from the client or from the client’s other professionals (e.g., attorney, accountant, etc.) and is expressly authorized to rely on such information. The client is under no obligation to act upon any of the recommendations made by American Financial & Tax Strategies under a financial planning or consulting engagement or to engage the services of any such recommended professional, including American Financial & Tax Strategies itself. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any of American Financial & Tax Strategies’ recommendations. Clients are advised that it remains their responsibility to promptly notify American Financial & Tax Strategies if there is ever any change in their financial situation or investment objectives for the purpose

of reviewing, evaluating, or revising American Financial & Tax Strategies' previous recommendations and/or services.

## **Investment Management and Wealth Management Services**

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Clients can engage American Financial & Tax Strategies to manage all or a portion of their assets on a discretionary basis (without any financial planning or consulting services). Alternatively, the firm may provide clients with wealth management services which include comprehensive financial planning services as well as discretionary management of investment portfolios.

American Financial & Tax Strategies primarily allocates clients' investment management assets among mutual funds, institutional class when available, exchange-traded funds ("ETFs") and exchange-traded notes ("ETNs"), in accordance with the investment objectives of the client. In limited circumstances, the firm may recommend individual bonds and will purchase individual stocks if requested by the client.

Clients may also engage American Financial & Tax Strategies to advise on certain investment products that are not maintained at their primary custodian, such as variable life insurance and annuity contracts and assets held in employer sponsored retirement plans and qualified tuition plans (i.e., 529 plans). In these situations, American Financial & Tax Strategies directs or recommends the allocation of client assets among the various investment options available with the product. These assets are generally maintained at the underwriting insurance company or the custodian designated by the product's provider.

American Financial & Tax Strategies tailors its advisory services to the individual needs of clients. American Financial & Tax Strategies consults with clients initially and on an ongoing basis to develop an investment policy statement ("IPS") and determines risk tolerance, time horizon, and other factors that may impact the clients' investment needs. American Financial & Tax Strategies seeks to ensure that clients' investments are suitable for their investment needs, goals, objectives and risk tolerance.

Clients are advised to promptly notify American Financial & Tax Strategies if there are changes in their financial situation or investment objectives or if they wish to impose any reasonable restrictions upon the firm's management services. Clients may impose reasonable restrictions or mandates on the management of their account (e.g., require that a portion of their assets be invested in socially responsible funds) if, in American Financial & Tax Strategies' sole discretion, the conditions will not materially impact the performance of a portfolio strategy or prove overly burdensome to its management efforts.

## **Use of Independent Managers**

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American Financial & Tax Strategies generally does not utilize independent investment managers ("*Independent Managers*") to manage client assets. However, the firm may in limited circumstances recommend that clients authorize the active discretionary management of a portion of their assets by *Independent Managers* based upon the stated investment objectives of the client. In these situations, the

## American Financial & Tax Strategies, Inc. Disclosure Brochure

terms and conditions under which the client engages the *Independent Managers* are set forth in a separate written agreement between American Financial & Tax Strategies or the client and the designated *Independent Managers*. American Financial & Tax Strategies also monitors and reviews the account performance and the client's investment objectives. American Financial & Tax Strategies receives an annual advisory fee which is based upon a percentage of the market value of the assets being managed by the designated *Independent Managers*.

When selecting an *Independent Manager* for a client, American Financial & Tax Strategies reviews information about the *Independent Manager* such as its disclosure brochure and/or material supplied by the *Independent Manager* or independent third parties for a description of the *Independent Manager's* investment strategies, past performance and risk results to the extent available. Factors that American Financial & Tax Strategies considers in recommending an *Independent Manager* include the client's stated investment objectives, management style, performance, reputation, financial strength, reporting, pricing, and research. The investment management fees charged by the designated *Independent Managers*, together with the fees charged by the corresponding designated broker-dealer/custodian of the client's assets, may be exclusive of, and in addition to, American Financial & Tax Strategies' investment advisory fee set forth above.

In addition to American Financial & Tax Strategies' written disclosure brochure, the client also receives the written disclosure brochure of the designated *Independent Managers*. Certain *Independent Managers* may impose more restrictive account requirements and varying billing practices than American Financial & Tax Strategies. In such instances, American Financial & Tax Strategies may alter its corresponding account requirements and/or billing practices to accommodate those of the *Independent Managers*.

## Item 5. Fees and Compensation

American Financial & Tax Strategies generally only offers its services on a fee basis based upon assets under management. In limited circumstances, the firm may provide financial planning and consulting services for a fixed fee.

### **Financial Planning and Consulting Fees**

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American Financial & Tax Strategies generally charges either a negotiable hourly and/or fixed fee to provide clients with stand-alone financial planning or consulting services. These fees are largely determined by the scope and complexity of the agreed upon services and range from \$300 to \$500 on an hourly basis and \$500 to \$20,000 on a fixed fee basis, depending upon the level and scope of the services and the professional rendering the financial planning and/or the consulting services. If the client engages American Financial & Tax Strategies for additional investment advisory services, the firm may offset all or a portion of its fees for those services based upon the amount paid for the financial planning and/or consulting services.

Prior to engaging American Financial & Tax Strategies to provide financial planning and/or consulting services, the client is required to enter into a written agreement with American Financial & Tax Strategies setting forth the terms and conditions of the engagement. Generally, American Financial & Tax Strategies requires one-half of the financial planning and/or consulting fee payable upon entering the written agreement. The balance is generally due upon delivery of the financial plan or completion of the agreed upon services.

### **Investment Management and Wealth Management Fee**

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American Financial & Tax Strategies provides investment management services for an annual fee based upon a percentage of the market value of the assets being managed by the firm. For certain clients, this fee may include financial planning services. American Financial & Tax Strategies' annual fee is exclusive of, and in addition to brokerage commissions, transaction fees, and other related costs and expenses which are incurred by the client. American Financial & Tax Strategies does not, however, receive any portion of these commissions, fees, and costs. The firm's annual fee is prorated and charged quarterly, in arrears, based upon the average month-end market value or the average daily market value of the assets in the preceding three (3) months. The annual fee varies (between 1.00% and 1.40%), depending upon the market value of the assets under management and the type of services to be rendered.

### **Fee Discretion**

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American Financial & Tax Strategies, in its sole discretion, may negotiate to charge a lesser management fee based upon certain criteria (i.e., dollar amount of assets to be managed, related accounts, account

composition, pre-existing client, *pro bono* activities, etc.) and may impose a minimum fee under the same considerations.

### **Fees Charged by Financial Institutions**

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As further discussed in response to Item 12 (below), American Financial & Tax Strategies generally recommends that clients utilize the brokerage and clearing services of TD AMERITRADE Institutional, a division of TD AMERITRADE, Inc. (“*TD Ameritrade*”) for investment management accounts. American Financial & Tax Strategies participates in the institutional customer program offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member FINRA/SIPC/NFA (“*TD Ameritrade*”), an unaffiliated SEC-registered broker-dealer and FINRA member. *TD Ameritrade* offers to independent investment advisers services which include custody of securities, trade execution, clearance and settlement of transactions. American Financial & Tax Strategies receives some benefits from *TD Ameritrade* through its participation in the program as detailed in Item 12, below.

American Financial & Tax Strategies may only implement its investment management recommendations after the client has arranged for and furnished American Financial & Tax Strategies with all information and authorization regarding accounts with appropriate financial institutions. Financial institutions include, but are not limited to, *TD Ameritrade*, any other broker-dealer recommended by American Financial & Tax Strategies, broker-dealer directed by the client, trust companies, banks etc. (collectively referred to herein as the “*Financial Institutions*”).

Clients may incur certain charges imposed by the *Financial Institutions* and other third parties such as fees charged by *Independent Managers* (if utilized by the firm), custodial fees, charges imposed directly by a mutual fund or ETF in the account, which are disclosed in the fund’s prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Additionally, for assets outside of any wrap fee programs, clients may incur brokerage commissions and transaction fees. Such charges, fees and commissions are exclusive of and in addition to American Financial & Tax Strategies’ fee.

### **Fee Debit**

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American Financial & Tax Strategies’ *Agreement* and the separate agreement with any *Financial Institutions* may authorize American Financial & Tax Strategies or *Independent Managers* to debit the client’s account for the amount of American Financial & Tax Strategies’ fee and to directly remit that management fee to American Financial & Tax Strategies or the *Independent Managers*. Any *Financial Institutions* recommended by American Financial & Tax Strategies have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to American Financial & Tax Strategies.



## **Fees for Management During Partial Quarters of Service**

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For the initial period of investment management services, the fees are calculated on a *pro rata* basis.

The *Agreement* between American Financial & Tax Strategies and the client will continue in effect until terminated by either party pursuant to the terms of the *Agreement*.

Clients may make additions to and withdrawals from their account at any time, subject to American Financial & Tax Strategies' right to terminate an account. Additions may be in cash or securities provided that American Financial & Tax Strategies reserves the right to liquidate any transferred securities or declines to accept particular securities into a client's account. Clients may withdraw account assets on notice to American Financial & Tax Strategies, subject to the usual and customary securities settlement procedures. American Financial & Tax Strategies designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives. American Financial & Tax Strategies may consult with its clients about the options and ramifications of transferring securities. However, clients are advised that when transferred securities are liquidated, they are subject to transaction fees, fees assessed at the mutual fund level (i.e., contingent deferred sales charge) and/or tax ramifications.

## **Item 6. Performance-Based Fees and Side-by-Side Management**

American Financial & Tax Strategies does not provide any services for performance-based fees. Performance-based fees are those based on a share of capital gains on or capital appreciation of the assets of a client.

## Item 7. Types of Clients

American Financial & Tax Strategies generally provides its services to individuals. However, the firm also may provide advice to pension and profit sharing plans, trusts, estates, charitable organizations, corporations and business entities.

### **Minimums Imposed By Independent Managers**

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The firm generally does not impose a minimum portfolio size or minimum annual fee. Certain *Independent Managers* may, however, impose more restrictive account requirements and varying billing practices than American Financial & Tax Strategies. In such instances, American Financial & Tax Strategies may alter its corresponding account requirements and/or billing practices to accommodate those of the *Independent Managers*.

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

### Investment Strategies

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American Financial & Tax Strategies first conducts an initial assessment to determine risk tolerance, time horizon among other factors that may impact a client's investment needs. Based on this initial assessment, the firm prepares an IPS for the client. The IPS acts as a guide for implementation of the client's investment plan.

For a majority of clients, through the firm's relationship with *TD Ameritrade*, American Financial & Tax Strategies allocates clients' investment management assets among mutual funds, institutional class when available, ETFs and ETNs, in accordance with the investment objectives of the client. In limited circumstances, the firm may also recommend individual bonds and purchase individual stocks if requested by the client.

### Methods of Analysis

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The firm primarily uses fundamental analysis, and may utilize research materials prepared by Fiduciary Analytics, LLC in developing financial plans and formulating asset allocation strategies.

Fundamental analysis involves the fundamental financial condition and competitive position of a company. American Financial & Tax Strategies will analyze the financial condition, capabilities of management, earnings, new products and services, as well as the company's markets and position amongst its competitors in order to determine the recommendations made to clients. The primary risk in using fundamental analysis is that while the overall health and position of a company may be good, market conditions may negatively impact the security.

For a smaller portion of clients, American Financial & Tax Strategies may also render investment management services relative to variable life/annuity products that they may own, their individual employer-sponsored retirement plans, and/or 529 plans or other products that may not be held by the client's primary custodian. The firm incorporates these investments into the clients' overall allocation. In so doing, American Financial & Tax Strategies either directs or recommends the allocation of client assets among the various investment options that are available with the product.

As part of the investment management process, the firm sets targets and re-balances the portfolio when the holding percentage "breaches the corridor." American Financial & Tax Strategies also takes into consideration taxation, cash flows, and other issues to decide whether it is appropriate to defer rebalancing.

## Risks of Loss

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### *Mutual Funds and ETFs*

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (e.g., sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed-based ETFs and more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 50,000 shares or more).

### *Exchange Traded Notes*

The firm may recommend an investment in, or allocate assets among, various ETNs. ETNs are unsecured debt securities which are listed on securities exchanges and transacted at negotiated prices in the secondary market. ETNs are designed to track the performance of a corresponding benchmark. An ETN is essentially a contract between an issuer and the ETN holder, whereby the issuer, upon maturity, agrees to pay an amount relative to the returns of the underlying benchmark. In addition to the risks associated with the specific benchmark, ETN holders are also subject to various counterparty concerns. In this respect, the value of an ETN may be adversely impacted by a downgrade to the issuer's credit rating and/or an unwillingness or inability of the issuer to perform its contractual obligations.

### *Market Risks*

The profitability of a portion of American Financial & Tax Strategies' recommendations may depend to a great extent upon correctly assessing the future course of price movements of stocks and bonds. There

can be no assurance that American Financial & Tax Strategies will be able to predict those price movements accurately.

### *Use of Independent Managers*

In limited circumstances, American Financial & Tax Strategies may recommend the use of *Independent Managers* for certain clients. The firm will continue to do ongoing due diligence of such managers, but such recommendations rely, to a great extent, on the *Independent Managers* ability to successfully implement their investment strategy. In addition, American Financial & Tax Strategies does not have the ability to supervise the *Independent Managers* on a day-to-day basis other than as previously described in response to Item 4, above.

### *Use of Margin*

The firm does not use margin as a strategy. However, to the extent that a client needs and authorizes the use of margin, margin can be employed by American Financial & Tax Strategies in the management of the client's investment portfolio. If utilized, the market value of the client's account and corresponding fee payable by the client to American Financial & Tax Strategies will not be increased.

While the use of margin borrowing can substantially improve returns, such use may also increase the adverse impact to which a client's portfolio may be subject. Borrowings will usually be from securities brokers and dealers and will typically be secured by the client's securities and/or other assets. Under certain circumstances, such a broker-dealer may demand an increase in the collateral that secures the client's obligations and if the client were unable to provide additional collateral, the broker-dealer could liquidate assets held in the account to satisfy the client's obligations to the broker-dealer. Liquidation in that manner could have extremely adverse consequences. In addition, the amount of the client's borrowings and the interest rates on those borrowings, which will fluctuate, will have a significant effect on the client's profitability.

### *General Risk of Loss*

Investing in securities involves the risk of loss. Clients should be prepared to bear such loss.

### **Item 9. Disciplinary Information**

American Financial & Tax Strategies is required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of management. The firm does not have any required disclosures to this Item.

## Item 10. Other Financial Industry Activities and Affiliations

### Referral Arrangements

American Financial & Tax Strategies does not render accounting, legal, or mortgage services to its clients. However, from time to time, the firm may recommend certain of its clients to various accountants, attorneys or mortgage brokers for related services. These firms render their services independently of American Financial & Tax Strategies. American Financial & Tax Strategies shall not receive any portion of the fees charged (referral or otherwise) by these firms for the services rendered.



## Item 11. Code of Ethics

American Financial & Tax Strategies and persons associated with American Financial & Tax Strategies (“Associated Persons”) are permitted to buy or sell securities that it also recommends to clients consistent with American Financial & Tax Strategies’ policies and procedures.

American Financial & Tax Strategies has adopted a code of ethics that sets forth the standards of conduct expected of its associated persons and requires compliance with applicable securities laws (“*Code of Ethics*”). American Financial & Tax Strategies’ *Code of Ethics* contains written policies reasonably designed to prevent the unlawful use of material non-public information by American Financial & Tax Strategies or any of its associated persons. The *Code of Ethics* also requires that certain of American Financial & Tax Strategies’ personnel (called “*Access Persons*”) report their personal securities holdings and transactions and obtain pre-approval of certain investments such as initial public offerings and limited offerings.

When American Financial & Tax Strategies is engaging in or considering a transaction in any security on behalf of a client, no *Access Person* may effect for themselves or for their immediate family (i.e., spouse, minor children, and adults living in the same household as the *Access Person*) a transaction in that security unless:

- the transaction has been completed;
- the transaction for the *Access Person* is completed as part of a batch trade (as defined below in Item 12) with clients; or
- a decision has been made not to engage in the transaction for the client.

These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers’ acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

This *Code of Ethics* has been established recognizing that some securities trade in sufficiently broad markets to permit transactions by *Access Persons* to be completed without any appreciable impact on the markets of such securities. Therefore, under certain limited circumstances, exceptions may be made to the policies stated above.

Clients and prospective clients may contact American Financial & Tax Strategies to request a copy of its *Code of Ethics*.

## Item 12. Brokerage Practices

As discussed above, in Item 5, American Financial & Tax Strategies generally recommends that clients utilize the brokerage and clearing services of *TD Ameritrade*.

Factors which American Financial & Tax Strategies considers in recommending *TD Ameritrade* or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research and service. *TD Ameritrade* enables American Financial & Tax Strategies to obtain many mutual funds and ETFs without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by *TD Ameritrade* may be higher or lower than those charged by other *Financial Institutions*.

The commissions paid by American Financial & Tax Strategies' clients comply with the firm's duty to obtain "best execution." Clients may pay commissions that are higher than another qualified *Financial Institution* might charge to effect the same transaction where American Financial & Tax Strategies determines that the commissions are reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a *Financial Institution's* services, including among others, the value of research provided, execution capability, commission rates, and responsiveness. American Financial & Tax Strategies seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

American Financial & Tax Strategies periodically and systematically reviews its policies and procedures regarding its recommendation of *Financial Institutions* in light of its duty to obtain best execution.

The client may direct American Financial & Tax Strategies in writing to use a particular *Financial Institution* to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that *Financial Institution*, and American Financial & Tax Strategies will not seek better execution services or prices from other *Financial Institutions* or be able to "batch" client transactions for execution through other *Financial Institutions* with orders for other accounts managed by American Financial & Tax Strategies (as described below). As a result, the client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, American Financial & Tax Strategies may decline a client's request to direct brokerage if, in American Financial & Tax Strategies' sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

Transactions for each client generally will be effected independently, unless American Financial & Tax Strategies decides to purchase or sell the same securities for several clients at approximately the same time. American Financial & Tax Strategies may (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among

American Financial & Tax Strategies' clients differences in prices and commissions or other transaction costs that might not have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among American Financial & Tax Strategies' clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that American Financial & Tax Strategies determines to aggregate client orders for the purchase or sale of securities, including securities in which American Financial & Tax Strategies' *Supervised Persons* may invest, American Financial & Tax Strategies generally does so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. American Financial & Tax Strategies does not receive any additional compensation or remuneration as a result of the aggregation. In the event that American Financial & Tax Strategies determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a *de minimis* allocation in one or more accounts, American Financial & Tax Strategies may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker-dealers in return for investment research products and/or services which assist American Financial & Tax Strategies in its investment decision-making process. Such research generally will be used to service all of American Financial & Tax Strategies' clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client's portfolio. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest because American Financial & Tax Strategies does not have to produce or pay for the products or services.

### **Software and Support Provided by Financial Institutions**

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American Financial & Tax Strategies may receive from *TD Ameritrade*, without cost to American Financial & Tax Strategies, computer software and related systems support, which allow American Financial & Tax Strategies to better monitor client accounts maintained at *TD Ameritrade*. American Financial & Tax

Strategies may receive the software and related support without cost because American Financial & Tax Strategies renders investment management services to clients that maintain assets at *TD Ameritrade*. The software and support is not provided in connection with securities transactions of clients (i.e., not “soft dollars”). The software and related systems support may benefit American Financial & Tax Strategies, but not its clients directly. In fulfilling its duties to its clients, the firm endeavors at all times to put the interests of its clients first. Clients should be aware, however, that American Financial & Tax Strategies’ receipt of economic benefits from a broker-dealer creates a conflict of interest since these benefits may influence American Financial & Tax Strategies’ choice of broker-dealer over another broker-dealer that does not furnish similar software, systems support, or services.

There is no direct link between American Financial & Tax Strategies’ participation in the program and the investment advice it gives to its clients, although the firm receives economic benefits through its participation in the program that are typically not available to *TD Ameritrade* retail investors. Additionally, American Financial & Tax Strategies may receive the following benefits from *TD Ameritrade* through its registered investment adviser division: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk that exclusively services its Registered Investment Adviser participants; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and access to an electronic communication network for client order entry and account information.

These products or services may assist American Financial & Tax Strategies in managing and administering client accounts, including accounts not maintained at *TD Ameritrade*. Other services made available by *TD Ameritrade* are intended to help American Financial & Tax Strategies manage and further develop its business enterprise. The benefits received by American Financial & Tax Strategies’ participation in the program do not depend on the amount of brokerage transactions directed to *TD Ameritrade*. Clients should be aware, however, that the receipt of economic benefits by American Financial & Tax Strategies or its related persons in and of itself creates a potential conflict of interest and may indirectly influence American Financial & Tax Strategies’ recommendation of *TD Ameritrade* for custody and brokerage services.

The firm may also receive “trinkets” and other small gifts during the year including t-shirts, pens, notebooks, holiday gift baskets, etc. from *TD Ameritrade*, and other service providers and investment firms. The firm may also receive meals, cocktails, and other entertainment from time to time. American Financial & Tax Strategies may receive assistance with expenses associated with attending seminars/conference, including transportation, lodging, and/or discounted attendance at the seminar/conference.

## Item 13. Review of Accounts

### Account Reviews

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For those clients to whom American Financial & Tax Strategies provides investment management services, the firm monitors those portfolios as part of an ongoing process while regular account reviews are conducted on at least a quarterly basis. For those clients to whom American Financial & Tax Strategies provides financial planning and/or consulting services, reviews are conducted on an “as needed” basis. Such reviews are conducted by the principal of American Financial & Tax Strategies, Robert Braglia. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with American Financial & Tax Strategies and to keep American Financial & Tax Strategies informed of any changes thereto. American Financial & Tax Strategies contacts ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client’s financial situation and/or investment objectives.

### Account Statements and Reports

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Unless otherwise agreed upon, clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer or custodian for the client accounts. Those clients to whom American Financial & Tax Strategies provides investment advisory services will also receive a report from American Financial & Tax Strategies that may include such relevant account and/or market-related information such as an inventory of account holdings and account performance on a quarterly basis. Clients should compare the account statements they receive from their custodian with those they receive from American Financial & Tax Strategies.

Those clients to whom the firm provides financial planning and/or consulting services will receive reports from American Financial & Tax Strategies summarizing its analysis and conclusions as requested by the client or otherwise agreed to in writing by American Financial & Tax Strategies.

## Item 14. Client Referrals and Other Compensation

### Client Referrals

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American Financial & Tax Strategies is required to disclose any direct or indirect compensation that it provides for client referrals. American Financial & Tax Strategies does not compensate third parties for client referrals.

### Other Economic Benefits

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In addition, American Financial & Tax Strategies is required to disclose any relationship or arrangement where it receives an economic benefit from a third party (non-client) for providing advisory services. This type of relationship poses a conflict of interest and any such relationship is disclosed in response to Item 12, above.

## Item 15. Custody

American Financial & Tax Strategies' agreement with any *Financial Institution* may authorize the firm through such *Financial Institution* to debit the client's account for the amount of American Financial & Tax Strategies' fee and to directly remit that management fee to American Financial & Tax Strategies in accordance with applicable custody rules.

The *Financial Institutions* recommended by American Financial & Tax Strategies have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to American Financial & Tax Strategies. In addition, as discussed in Item 13, American Financial & Tax Strategies also sends periodic supplemental reports to clients. Clients should carefully review the statements sent directly by the *Financial Institutions* and compare them to those received from American Financial & Tax Strategies.

### Surprise Independent Examination

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As American Financial & Tax Strategies is deemed to have custody over clients' bank accounts or securities (for reasons other than those discussed above), the Firm is required to engage an independent accounting Firm to perform a surprise annual examination of those assets and accounts over which it maintains custody. Any related opinions issued by an independent accounting Firm are filed with the SEC and are publicly available on the SEC's Investment Adviser Public Disclosure website. American Financial & Tax Strategies does not have direct access to client funds as they are maintained with an independent qualified custodian.

### Item 16. Investment Discretion

American Financial & Tax Strategies is given the authority to exercise discretion on behalf of clients. The firm is considered to exercise investment discretion over a client's account if it can effect transactions for the client without first having to seek the client's consent. American Financial & Tax Strategies is given this authority through a power-of-attorney included in the agreement between American Financial & Tax Strategies and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). American Financial & Tax Strategies takes discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold;
- When transactions are made; and
- The *Independent Managers* to be hired or fired.



## Item 17. Voting Client Securities

American Financial & Tax Strategies may vote client securities (proxies) on behalf of its clients. When the firm accepts such responsibility, it will only cast proxy votes in a manner consistent with the best interest of its clients. Absent special circumstances, which are fully- described in American Financial & Tax Strategies' Proxy Voting Policies and Procedures, all proxies will be voted consistent with guidelines established and described in American Financial & Tax Strategies' Proxy Voting Policies and Procedures, as they may be amended from time-to-time. Clients may contact American Financial & Tax Strategies to request information about how American Financial & Tax Strategies voted proxies for that client's securities or to get a copy of American Financial & Tax Strategies' Proxy Voting Policies and Procedures. A brief summary of American Financial & Tax Strategies' Proxy Voting Policies and Procedures is as follows:

- American Financial & Tax Strategies has formed a Proxy Voting Committee that will be responsible for monitoring corporate actions, making voting decisions in the best interest of clients, and ensuring that proxies are submitted in a timely manner.
- The Proxy Voting Committee will generally vote proxies according to American Financial & Tax Strategies' then current Proxy Voting Guidelines. The Proxy Voting Guidelines include many specific examples of voting decisions for the types of proposals that are most frequently presented, including: composition of the board of directors; approval of independent auditors; management and director compensation; anti-takeover mechanisms and related issues; changes to capital structure; corporate and social policy issues; and issues involving mutual funds.
- Although the Proxy Voting Guidelines are followed as a general policy, certain issues are considered on a case-by-case basis based on the relevant facts and circumstances. Since corporate governance issues are diverse and continually evolving, American Financial & Tax Strategies devotes an appropriate amount of time and resources to monitor these changes.
- Clients cannot direct American Financial & Tax Strategies' vote on a particular solicitation but can revoke American Financial & Tax Strategies' authority to vote proxies.

In situations where there may be a conflict of interest in the voting of proxies due to business or personal relationships that American Financial & Tax Strategies maintains with persons having an interest in the outcome of certain votes, American Financial & Tax Strategies takes appropriate steps to ensure that its proxy voting decisions are made in the best interest of its clients and are not the product of such conflict.

## Item 18. Financial Information

American Financial & Tax Strategies is not required to disclose any financial information pursuant to this Item due to the following:

- The firm does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance of services rendered;
- The firm does not have a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients; and
- The firm has not been the subject of a bankruptcy petition at any time during the past ten years..

**American Financial & Tax Strategies, Inc.**

*a Registered Investment Adviser*

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Prepared by:



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