

## **Firm Brochure**

(Part 2A of Form ADV)

**THE INDEX GROUP, INC.**

**CRD No. 131670**

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**June 16, 2015**

This brochure provides information about the qualifications and business practices of The Index Group, Inc., formerly known as Index Asset Management, Inc. If you have any questions about the contents of this brochure, please contact us at 719-884-7500, or by email at michael.willis@weareindex.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission, or by any state securities authority.

Additional information about The Index Group, Inc. is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

## Material Changes

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### Material Changes since the Last Update

This section of our Form ADV Part 2A or “Brochure” is an update of our previously filed Brochure. Please note, however, that only material changes that have occurred since our last annual update on March 31, 2015 are summarized in this section.

- Effective May 2015, Index Asset Management, Inc. has changed its name to The Index Group, Inc. (“Index Group” or the “firm” or “we”). All key aspects of the firm’s business and advisory operations remain the same, and we can still be contacted at 1155 Kelly Johnson Blvd, Suite 111 Colorado Springs, Colorado 80920, or by calling 719-884-7500. However, please note that Michael Willis can best be reached via email at: [michael.willis@weareindex.com](mailto:michael.willis@weareindex.com)
- As of March 31, 2015, the Giant 5 Total Investment System and the Giant 5 Total Investment System have ceased operations and returned all assets to investors. The sole series of the Index Funds currently managed by Index Group is the Index Funds S&P 500 Equal Weight Fund.
- Effective May 2015, Ms. LuAnn Hanson no longer serves as Chief Compliance Officer to the firm. Mr. Michael Willis, the firm’s principal owner, has assumed the role of Chief Compliance Officer of Index Group.

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### Full Brochure Available

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at: 719-884-7500 or by email at: [michael.willis@weareindex.com](mailto:michael.willis@weareindex.com).

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**Firm Description**

The Index Group, Inc. ("Index Group," the "firm," or "we"), formerly known as Index Asset Management, Inc., was founded in 2004.

Index Group provides personalized confidential financial planning and investment management to individuals, registered investment companies, pension and profit sharing plans, trusts, estates, charitable organizations and small businesses. Advice is provided through consultation with the client and may include: determination of financial objectives, identification of financial problems, cash flow management, tax planning, insurance review, investment management, education funding, retirement planning, and estate planning.

Index Group is strictly a fee-only financial planning and investment management firm. The firm does not receive commissions for purchasing or selling annuities, insurance, stocks, bonds, mutual funds, limited partnerships, or other commissioned products. The firm is not affiliated with entities that sell financial products or securities. No commissions in any form are accepted. No finder's fees are accepted.

Other professionals (e.g., lawyers, accountants, insurance agents, etc.) are engaged directly by the client on an as-needed basis. Conflicts of interest will be disclosed to the client in the unlikely event they should occur.

The initial meeting, which may be by telephone, is free of charge and is considered an exploratory interview to determine the extent to which financial planning and investment management may be beneficial to the client.

In addition to its separately managed account clients, Index Group serves as the investment adviser to the Index Funds S&P 500 Equal Weight Fund (the "Fund"), a separate series of Index Funds, a Delaware statutory trust and an investment company registered under the Investment Company Act of 1940 (the "1940 Act").

As of December 31, 2014, the firm managed approximately \$32,630,000 on a discretionary basis, and no assets on a non-discretionary basis.

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**Principal Owners**

Michael Willis is the principal owner of The Index Group, Inc.

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**Tailored Relationships**

Investment decisions for the Fund are generally tailored to the investment objectives and investment strategies as set forth in the Fund's prospectus. Only separate account clients may impose restrictions on investing in certain securities or types of securities.

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## **Types of Agreements**

The following agreements define the typical client relationships.

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### **Investment Management Agreement**

An Investment Management Agreement may be executed when financial planning is not provided as part of the relationship.

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### **Financial Planning Agreement**

A financial plan is designed to help the client with all aspects of financial planning without ongoing investment management after the financial plan is completed.

The financial plan may include, but is not limited to: a net worth statement; a cash flow statement; a review of investment accounts, including reviewing asset allocation and providing repositioning recommendations; strategic tax planning; a review of retirement accounts and plans including recommendations; a review of insurance policies and recommendations for changes, if necessary; one or more retirement scenarios; estate planning review and recommendations; and education planning with funding recommendations.

Detailed investment advice and specific recommendations are provided as part of a financial plan. Implementation of the recommendations is at the discretion of the client.

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### **Hourly Planning Engagements**

Index Group provides hourly planning services for clients who need advice on a limited scope of work.

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### **Asset Management**

Assets are typically invested primarily in no-load or low-load mutual funds and exchange-traded funds, usually through discount brokers or fund companies.

Stocks and bonds may be purchased or sold through a brokerage account when appropriate. The brokerage firm charges a fee for stock and bond trades.

Investments may also include: equities (stocks), warrants, corporate debt securities, commercial paper, certificates of deposit, municipal securities, investment company securities (variable life insurance, variable annuities, and mutual funds shares), U. S. government securities, options contracts, futures contracts, and interests in partnerships.

Separately managed account ("SMA") clients should note that the firm may invest a portion of the SMA portfolio into the Fund. In order to seek to mitigate conflicts of interest that may arise, the firm typically waives its asset

management fee on the portion of the SMA account that is invested in the Fund. Such portion of the SMA account is still indirectly subject, however, to the fees that are payable by the Fund to the firm in its capacity as investment adviser to those funds.

Initial public offerings (IPOs) are not available through the firm.

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**Termination of Agreement**

A Client may terminate any of the aforementioned agreements at any time by notifying Index Group in writing and paying the rate for the time spent on the investment advisory engagement prior to notification of termination. If the client made an advance payment, Index Group will refund any unearned portion of the advance payment.

Index Group may terminate any of the aforementioned agreements at any time by notifying the client in writing. If the client made an advance payment, Index Group will refund any unearned portion of the advance payment.

### Fees and Compensation

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**Description**

As noted above, the firm bases its fees on a percentage of assets under management, hourly charges, or fixed fees.

*Investment Management Agreements*

The typical annual fee for an Investment Management Agreement is 0.67% of assets under management.

*Financial Plans*

The fee for a financial plan is predicated upon the facts known at the start of the engagement. The minimum fee is \$2500. Since financial planning is a discovery process, situations occur wherein the client is unaware of certain financial exposures or predicaments.

In the event that the client's situation is substantially different than disclosed at the initial meeting, a revised fee will be provided for mutual agreement. The client must approve the change of scope in advance of the additional work being performed when a fee increase is necessary.

After delivery of a financial plan, future face-to-face meetings may be scheduled as necessary. Follow-on implementation work is billed separately at the rate of \$150 per hour.

*Hourly Engagements*

The hourly rate for limited scope engagements is \$150.

*The Fund*

Index Funds, on behalf of the Fund, has entered into an advisory agreement with Index Group. As compensation for its services, Index Group receives a management fee of 0.25% of the Fund's assets (annualized).

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**Fee Billing**

Investment management fees are billed monthly. Payment in full is expected upon invoice presentation. Fees are usually deducted from a designated client account to facilitate billing. The client must consent in advance to direct debiting of their investment account.

Fees for financial plans are billed 50% in advance, with the balance due upon delivery of the financial plan.

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**Other Fees**

Client assets invested in investment funds may be subject to management fees charged by the manager of these funds and operating expenses which are in addition to management fees charged by us. Information regarding the fees and expenses to which these funds are subject can typically be found in the prospectuses or statements of additional information for such funds. Clients may also pay custodial fees and broker commissions for transactions.

As noted above, the firm may invest a portion of SMA client account assets in the Fund. In such instances, the firm will typically waive its asset management fee on the portion of the SMA account invested in the Funds. However, such portion of the SMA account is still indirectly subject, to the fees that are payable by the Fund to the firm in its capacity as investment adviser to those funds.

Index Group, in its sole discretion, may waive its minimum fee and/or charge a lesser investment advisory fee based upon certain criteria (e.g., historical relationship, type of assets, anticipated future earning capacity, anticipated future additional assets, dollar amounts of assets to be managed, related accounts, account composition, negotiations with clients, etc.).

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**Expense Ratios**

Mutual funds generally charge a management fee for their services as investment managers. The management fee is called an expense ratio. For example, an expense ratio of 0.50 means that the mutual fund company charges 0.5% for their services. These fees are in addition to the fees paid by you to Index Group.

Performance figures quoted by mutual fund companies in various publications are after their fees have been deducted.

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**Past Due Accounts and Termination of Agreement**

Index Group reserves the right to stop work on any account that is more than 30 days overdue. In addition, the firm reserves the right to terminate any

relationship where a client has willfully concealed or has refused to provide pertinent information about financial situations when necessary and appropriate, in the firm's judgment, to providing proper financial advice or investment management. Any unused portion of fees collected in advance will be refunded within 30 days.

## Performance-Based Fees

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### Sharing of Capital Gains

Fees are not based on a share of the capital gains or capital appreciation of managed securities.

Index Group does not use a performance-based fee structure because of the potential conflict of interest.

## Types of Clients

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### Description

Index Group generally provides investment advice to individuals, banks or thrift institutions, investment companies, pension and profit sharing plans, trusts, estates, or charitable organizations, corporations or business entities.

Client relationships vary in scope and length of service.

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### Account Minimums

The initial investment minimum for the Fund is \$1000, and the minimum amount for subsequent investments is \$1000. Due to the proportionately higher costs of servicing accounts with lower balances, Fund accounts maintaining a balance under \$25,000 will be charged a \$20 annual maintenance fee. The Fund also reserves the right to close accounts under \$1,000 and send the proceeds to the shareholder.

The minimum account size for a separate account managed by Index Group is \$1 million of assets under management.

When a separate account falls below \$1 million in value, the minimum annual fee of \$6,700 will be charged under most circumstances. Depending upon circumstances, an hourly agreement may be entered into with the client if assets have diminished significantly below \$1 million.

Index Group has the discretion to waive the account minimum. Accounts of less than \$1 million may be set up when the client and the advisor anticipate the client will add additional funds to the accounts bringing the total to \$1 million within a



reasonable time. Other exceptions will apply to employees of the firm and their relatives, or relatives of existing clients.

Clients receiving ongoing asset management services may be assessed a \$6,700 minimum annual fee. Clients with assets below the minimum account size may pay a higher percentage rate on their annual fees than the fees paid by clients with greater assets under management.

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

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### **Methods of Analysis**

Security analysis methods may include charting, fundamental analysis, technical analysis, and cyclical analysis.

The main sources of information include financial newspapers and magazines, inspections of corporate activities, research materials prepared by others, corporate rating services, timing services, annual reports, prospectuses, filings with the Securities and Exchange Commission, and company press releases.

Other sources of information that firm may use include Morningstar Principia mutual fund information, Morningstar Principia stock information, Charles Schwab & Company's "SchwabLink" service, Advisor Intelligence, and the World Wide Web.

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### **Investment Strategies**

The primary investment strategy used on client accounts is an asset allocation of stocks, bonds, gold and silver investments or instruments with exposure to the same. Under normal circumstances, Index Group primarily utilizes mutual funds, ETFs, and ETNs to achieve its objectives.

Index Group has also managed products on the foundation of consumption-based fundamental asset allocation, which focuses on global consumption patterns. The firm believes that consumption and GDP-based asset allocation methodologies create relevant portfolios for individuals & institutions.

The specific investment strategy for a given client is generally based upon the objectives stated by the client during consultations. The client typically may change these objectives at any time, upon reasonable notice to the firm. Each client executes an Investment Policy Statement that documents their objectives and their desired investment strategy.

Other strategies may include long-term purchases, short-term purchases, trading, short sales, margin transactions, and option writing (including covered options, uncovered options or spreading strategies). Index Group may also employ, on behalf of certain clients, strategies that are intended to match the performance of certain indices. Investors in the Funds should

consult the prospectuses and statements of additional information for those funds for a more detailed description of their investment strategies and the associated risks. The firm reserves the right to utilize some or all of the strategies discussed herein, or to modify the manner in which they are used.

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**Risk of Loss**

All investment programs have certain risks that are borne by the investor, and all investors should be prepared to bear losses. Our investment approach constantly keeps the risk of loss in mind. Investors may generally face the following investment risks associated with the strategies that the firm may employ:

- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.

- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

## Disciplinary Information

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### **Legal and Disciplinary**

The firm and its employees have not been involved in legal or disciplinary events related to past or present investment clients.

## Other Financial Industry Activities and Affiliations

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### **Financial Industry Activities**

Index Group may from time to time serve as a commodity pool operator by virtue of its role as investment adviser to the Fund, but is currently exempt from registration with the U.S. Commodity Futures Trading Commission ("CFTC") pursuant to Rule 4.5 under the CFTC's regulations.

S. Todd Johnson, Index Group's secretary, currently has an application pending as a registered representative of a broker-dealer.

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

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### **Code of Ethics**

The employees of the firm have committed to a Code of Ethics that is available for review by clients and prospective clients upon request.

Index Group has adopted a Code of Ethics that it believes is reasonably designed to protect against conflicts between the personal securities transactions (if any) of the firm and its principals, officers and employees (and members of their families) and transactions effected on behalf of clients. The Code of Ethics is based on the principle that the firm and its employees owe a fiduciary duty to the clients. Thus, employees of the firm must generally (i) place the interests of clients first, (ii) avoid taking inappropriate advantage of their positions within the firm, and (iii) conduct their personal securities transactions (if any) in full compliance with the Code of Ethics.

The firm will provide a copy of the Code of Ethics to any client or prospective client upon request.

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

Index Group and its employees may buy or sell securities that are also held by clients. Employees may not trade their own securities ahead of client trades. In the firm's opinion, most conflict of interest issues are minimized or eliminated completely due to the fact that the firm primarily invests in 1940 Act open-end mutual funds, ETFs, & ETNs.

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**Personal Trading**

The Chief Compliance Officer of Index Group is Michael Willis. He typically reviews all employee trades, including his own trades, each quarter. The personal trading reviews seek to ensure that the personal trading of employees does not affect the markets, and that clients of the firm are not disadvantaged.

## Brokerage Practices

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**Selecting Brokerage Firms**

Index Group typically has discretionary authority to determine the type, amount, price and timing of securities being bought and sold on behalf of each of its clients, including the selection of and commissions paid to brokers, subject to each client's investment policies and goals.

Index Group, in seeking to obtain the best execution of portfolio transactions, may consider the quality and reliability of brokerage services. The firm may also consider brokerage, research and investment information provided by the brokers and dealers. Factors considered by the firm in selecting brokers and dealers may include the following: price; the broker's or dealer's facilities, reliability and financial stability; the ability of the broker or dealer to effect securities transactions, particularly with regard to such aspects as complexity of the trade, timing, order size and execution of the orders; and the brokerage and research products and services provided by that broker or dealer to the firm that are expected to enhance the firm's general portfolio management capabilities, notwithstanding that a client may not be the direct or exclusive beneficiary of such services.

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**Best Execution, Soft Dollars and Directed Brokerage**

Commission rates, being a component of price, are one factor considered together with other factors. Index Group may cause a client's account to pay a broker or dealer a commission for effecting a transaction for the client's account that may be higher than a commission charged by another broker, in exchange for brokerage and/or research services. This is a benefit to the firm because the firm does not directly produce or pay for the research or

services. This may create an incentive to select a broker based on the research or other services provided rather than the client's interest in best execution. Under Section 28(e) of the Securities Exchange Act of 1934 (the "Exchange Act"), the firm may do this if it determines in good faith that the amount of commission charged was reasonable in relation to the value of brokerage and/or research services provided by such broker.

To mitigate and address any conflicts of interest that may arise, the firm has adopted policies and procedures to evaluate, on an ongoing basis, the value of a broker's research and brokerage services and the reasonableness of any commissions charged. Index Group does not receive any portion of the trading fees.

As of the date of this brochure, the Index Group does not have any soft dollar arrangements in place with brokers, and does not use soft dollars. However, the Index Group reserves the right to enter into such arrangements in the future. If the Index Group enters into soft dollar arrangements in the future, the services and products it receives could include, for example, economic/market/industry data, electronic brokerage support, trading, market and research software.

As noted above, the firm typically retains discretion over brokerage selection. Certain clients may sometimes wish to restrict brokerage to a particular broker. Because directed brokerage may, in the firm's view, restrict the discretion the firm would otherwise have in selecting broker-dealers to effect transactions and in negotiating commissions generally for the client's account, Index Group typically does not permit directed brokerage arrangements.

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### **Order Aggregation**

Where appropriate, transactions for multiple clients may be bunched for execution purposes, which will not ordinarily affect commissions charged and execution prices on such transactions. Consistent with the firm's general investment strategies, however, most trades are transactions in mutual funds or exchange-traded funds where trade aggregation does not garner any meaningful client benefit.

### **Review of Accounts**

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### **Periodic Reviews**

Account reviews are typically performed quarterly by Michael Willis, President of Index Group. Additional account reviews may be performed more frequently when market conditions, regulatory developments or changes in a client's situation dictate.

The review process typically considers the client's current security positions and the likelihood that the performance of each security will contribute to the investment objectives of the client.

Clients receive periodic communications on at least an annual basis. *Advisory Service Agreement* clients, *Investment Management* clients, and *Retainer Agreement* clients receive written quarterly updates. The written updates may include a net worth statement, portfolio statement, tax return (if the client requests tax preparation services), and a summary of objectives and progress towards meeting those objectives. The Funds also make available their annual and semi-annual reports as required by the 1940 Act.

## Client Referrals and Other Compensation

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### Referrals

Index Group does not currently engage or compensate third parties for referrals, and does not accept referral fees or any form of remuneration from other professionals when a prospect or client is referred to them.

## Custody

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### SEC “Custody”

Index Group typically does not retain physical custody of clients' funds or securities, but may exercise limited custody in connection with its ability to deduct fees from accounts, subject to written client authorization. Assets are typically held at a qualified custodian. Each qualified custodian typically provides account statements directly to clients at their address of record at least quarterly. Assets of the Funds are custodied pursuant to an agreement between a custodian and Index Funds trust, in accordance with the requirements of the 1940 Act, and the firm does not retain custody of those assets.

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### Performance Reports

Clients are urged to compare the account statements received directly from their custodians to the performance report statements provided by Index Group.

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### Net Worth Statements

Clients are frequently provided net worth statements and net worth graphs that are generated from our client relationship management system. Net worth statements contain approximations of bank account balances provided by the client, as well as the value of land and hard-to-price real estate. The

net worth statements are used for long-term financial planning where the exact values of assets are not material to the financial planning tasks.

## Investment Discretion

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### **Discretionary Authority for Trading**

Index Group accepts discretionary authority to manage securities accounts on behalf of clients. Index Group typically has the authority to determine, without obtaining specific client consent, the securities to be bought or sold, and the amount of the securities to be bought or sold. Limitations on discretionary authority may be negotiated at the firm's discretion. Discretionary authority is typically conferred via standard investment management agreements and/or powers of attorney if applicable. However, Index Group consults with the client prior to each trade to obtain concurrence if a blanket trading authorization has not been given.

## Voting Client Securities

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### **Proxy Votes**

Index Group typically does not retain authority to vote proxies on securities. Clients are expected to vote their own proxies.

In certain circumstances, however, a client may delegate proxy voting authority to Index Group, such as in the case of the Fund.

For the Fund, Index Group typically votes proxies for securities consistent with its proxy voting policy. As the current investment strategy of the Fund is to track the performance of a target index, the firm's proxy voting policy generally seeks to minimize tracking error. Consequently, the firm will generally review proxy proposals, but will typically refrain from voting unless doing so, in the firm's view, would be contrary to the Fund's interests.

A copy of the firm's proxy voting policy is available upon request. Information about how the firm voted the Fund's proxies is available either upon request, or by going to the SEC's EDGAR company filing database at [www.sec.gov/edgar/searchedgar/companysearch.html](http://www.sec.gov/edgar/searchedgar/companysearch.html).

## Financial Information

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### **Financial Condition**

Index Group does not have any financial impairment that will preclude the firm from meeting contractual commitments to clients.

A balance sheet is not required to be provided because the firm does not serve as a custodian for client funds or securities, and does not require

prepayment of fees of more than \$1,200 per client, and six months or more in advance.

## Business Continuity Plan

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### **General**

Index Group has a Business Continuity Plan in place that provides detailed steps to mitigate and recover from the loss of office space, communications, services or key people.

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### **Disasters**

The Business Continuity Plan covers natural disasters such as snow storms, hurricanes, tornados, and flooding. The Plan covers man-made disasters such as loss of electrical power, loss of water pressure, fire, bomb threat, nuclear emergency, chemical event, biological event, T-1 communications line outage, Internet outage, railway accident and aircraft accident. Electronic files are backed up daily and archived offsite.