



**ADVISORY SERVICES LLC**

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**(800) 473-3856**

**[www.hbwadvisory.com](http://www.hbwadvisory.com)**

September 4, 2015

## **FORM ADV PART 2 BROCHURE**

**This brochure provides information about the qualifications and business practices of HBW Advisory Services LLC. If you have any questions about the contents of this brochure, please contact us at (800) 473-3856. 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 HBW Advisory Services LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable CRD number for HBW Advisory Services LLC is 143665.**

## Item 2 Summary of Material Changes

Form ADV Part 2 requires registered investment advisers to amend their brochure when information becomes materially inaccurate. If there are any material changes to an adviser's disclosure brochure, the adviser is required to notify you and provide you with a description of the material changes.

Since the filing of our last annual updating amendment, dated September 23, 2014 we have made the following material changes:

### **HBW Advisor money manager: -- Fee Schedule Changes**

**\*Tactically-Managed accounts (at all Custodians) and Eldorado Tax-Managed Strategy (at TCA):**

<u>Account Range</u>	<u>Annual Fee</u>
Up to \$2 million	1.85%
\$2 million up to \$5 million	1.70%
\$5 million and up	1.55%

### **\*The HBW Blended Asset Allocation/Muni Bond Models (at TCA):**

<u>Account Range</u>	<u>Annual Fee</u>
Up to \$2 million	1.55%
\$2 million up to \$5 million	1.40%
\$5 million and up	1.25%

### **\*The Muni Bond Model (at TCA):**

<u>Account Range</u>	<u>Annual Fee</u>
Up to \$2 million	1.25%
\$2 million up to \$5 million	1.10%
\$5 million and up	0.95%

The annual fee is stated in the Contracts for Financial Advice. The annual fee is prorated and deducted quarterly from the Client's advisory account based on the market value of the assets under management on the last business day of each quarter in arrears paid to HBW. HBW will be paid directly from fee deduction from Client accounts. HBW will pay Third Party Money managers for their services. Clients on the JeffNat platform shall receive an invoice for fees concurrent with the deduction by JeffNat. Clients will also receive an account statement from JeffNat quarterly. Clients on the TCA platform shall receive a quarterly statement with fee calculations concurrent with the deduction by TCA.

Lower fees for comparable services may be available from other sources including other investment advisors.

### **Added New Services:**

#### **HBW Advisor Managed Midland National Life Vector 1 & 2 Contracts:**

HBW is also a Third Party Money Manager on certain contracts at Midland National Life Insurance Co (MNL) and is compensated by MNL 35 basis points per year prorated quarterly for those services. HBW may enter into Sub Advisory agreement to provide this service.

### **Online Portfolio Management Platform**

HBW has partnered with Betterment LLC, a registered investment adviser, to offer portfolio management services through the Betterment Institutional online platform. This Program allows you to create and/or choose portfolios diversified among ETFs. HBW will assist Client in selecting Client investments based on Client's risk profile. Betterment LLC will then manage Client's portfolio on a discretionary basis. Client will separately enter an agreement with Betterment LLC, granting them discretionary authorization to buy and sell, when to buy and sell, and in what amounts, in accordance with Client's investment parameters, without obtaining Client's prior consent or approval for each transaction. HBW assumes discretionary authority to rebalance Client portfolios. Client also enter into a discretionary arrangement with HBW.

On an annualized basis, our advisory fees for our online portfolio management platform are equal to the fee schedule per account below:

<u>Assets under Management</u>	<u>Annual Fee</u>
Up to \$250,000	1.50%
\$250,000 up to \$500,000	1.25%
Over \$500,000	1.00%

HBW's annual portfolio management fee is billed and payable quarterly in arrears based on Client's average daily account balance for the prior quarter. If the management agreement is executed at any time other than the first day of a calendar quarter, HBW's fees will apply on a pro rata basis, which means that the advisory fee is payable in proportion to the number of days in the quarter for which Client is a Client.

Betterment LLC will share in a portion of the advisory fee Client pays to HBW. Client will be required to sign an agreement directly with Betterment LLC as well as a discretionary agreement with HBW.

Client may terminate Client's advisory relationship with Betterment LLC according to the terms of Client's agreement with Betterment LLC. Client should review Betterment LLC's brochure for specific information on how Client may terminate Client's advisory relationship with them and how Client may receive a refund, if applicable. Client should contact Betterment LLC directly for questions regarding Client's advisory agreement with Betterment LLC.

### **Betterment Online Portfolio Management Platform**

HBW requires that Clients who participate in HBW's online portfolio management platform use MTG, LLC dba Betterment Securities ("Betterment Securities"), a registered broker-dealer, member SIPC, as the qualified custodian. HBW is independently owned and operated and is not affiliated with Betterment Securities. Betterment Securities will hold Client's assets in a brokerage account and buy and sell securities when HBW and/or Client instructs them to. While HBW recommends that Client use Betterment Securities as custodian/broker, Client will decide whether to do so and will open Client's account with Betterment Securities by entering into an account agreement directly with them. HBW does not open the account for Client, although HBW may assist Client in doing so. If Client does not wish to place Client's assets with Betterment Securities, then HBW cannot manage Client's account on Betterment Institutional (defined below).

For HBW Clients' accounts that Betterment Securities maintains, Betterment Securities generally does not charge Client separately for custody services, but is compensated as part of the Betterment Institutional (defined below) platform fee, which is a percentage of the dollar amount of assets in the account in lieu of commissions. HBW has determined that having Betterment Securities execute trades is consistent with HBW's duty to seek "best execution" of Client's trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above.

Betterment Securities serves as broker dealer to Betterment Institutional ("Betterment Institutional"), an investment and advice platform serving independent investment advisory firms like HBW . Betterment Institutional also makes available various support services which may not be available to Betterment's retail customers. Some of those services help HBW manage or administer HBW's Clients' accounts, while others help HBW manage and grow HBW's business. Betterment Institutional's support services are generally available on an unsolicited basis (HBW doesn't have to request them) and at no charge to us. Following is a more detailed description of Betterment Institutional's support services:

- **SERVICES THAT BENEFIT CLIENT.** Betterment Institutional includes access to a range of investment products, execution of securities transactions, and custody of Client assets through Betterment Securities. Betterment Securities' services described in this paragraph generally benefit Client and Client's account.
- **SERVICES THAT MAY NOT DIRECTLY BENEFIT CLIENT.** Betterment Institutional also makes available to HBW other products and services that benefit HBW, but may not directly benefit Client or Client's account. These products and services assist us in managing and administering HBW Clients' accounts, such as software and technology that may:
  - Assist with back-office functions, recordkeeping, and Client reporting of HBW's Clients' accounts.
  - Provide access to Client account data (such as duplicate trade confirmations and account statements).
  - Provide pricing and other market data.
  - Assist with back-office functions, recordkeeping, and Client reporting.
- **SERVICES THAT GENERALLY BENEFIT ONLY HBW.** By using Betterment Institutional, HBW will be offered other services intended to help HBW manage and further develop HBW's business enterprise. These services include:
  - Educational conferences and events.
  - Consulting on technology, compliance, legal, and business needs.
  - Publications and conferences on practice management and business succession.
- **HBW's INTEREST IN BETTERMENT SECURITIES' SERVICES.** The availability of these services from Betterment Institutional benefits HBW because HBW does not have to produce or purchase them. In addition, HBW doesn't have to pay for Betterment Securities' services. These services may be contingent upon HBW committing a certain amount of business to Betterment Securities in assets in custody. HBW may have an incentive to recommend that Client maintain Client's account with Betterment Securities, based on HBW's interest in receiving Betterment Institutional and Betterment Securities' services that benefit HBW's business rather than based on Client's interest in receiving the best value in custody services and the most favorable execution of Client's transactions. This is a potential conflict of interest. HBW believes, however, that HBW's selection of Betterment Securities as custodian and broker is in the best interests of HBW's Clients. HBW's selection is primarily supported by the scope, quality, and price of Betterment Securities' services and not Betterment Institutional and Betterment Securities' services that benefit only HBW.

## **Fixed Fees**

HBW offers distinct fixed fee services as stated below.

### **Written Financial Plans**

Written Financial Plans are available for a fixed fee. This fee could range \$250 to \$1,200 per plan.

### **Ongoing Comprehensive Financial Consulting (Ideal Client)**

Ongoing Comprehensive Financial Consulting (Ideal Client) is for a fixed fee up to \$2500 per year. Up to \$1200 can be billed in advance with the initial Contract for Financial Advice. Ongoing fees for this service are payable in arrears upon services rendered.

### **Review and Recommendations**

Review and recommendations of Clients account(s) held outside of HBW and HBW Securities LLC, including but not limited to variable annuities, 401(k)'s, 403(b)'s, 457's or other company sponsored plans on a fixed fee basis. These fees could range from \$50 to \$200 per review per account not to exceed .50% quarterly of the account balance being reviewed. An additional charge not to exceed \$500/yr per account for HBW to actively manage (effect trades), per specified accounts. NOTE: As of 9-1-2015 this service is no longer available to new Clients.

### **Subscription Services**

HBW offers subscription services for company sponsored retirement plans. HBW has entered into an agreement with 401kwealthengine.com to provide investment advice for plan participants. The subscription price is \$35/month of which HBW is compensated \$16/month.

### **Other Advisory Services**

These fixed fees could range in price from \$200 to \$1,200 depending on the size, complexity and hours estimated to complete the project. Fixed Fees are negotiable at the discretion of HBW and are stated in the Contract for Financial Advice. For example, a fixed fee program would be used in lieu of an hourly fee program when the Client requests an on going service rather than a one time review or when HBW negotiates a fixed fee for a financial plan. Fixed fees are invoiced and billed in advance at the time of signing the Contract for Financial Advice and an invoice is given to the Client. Client will not be charged fixed fees on any account being billed by HBW on an Asset Under Management fee basis.

Lower fees for comparable services may be available from other sources including other investment advisors.

### **Client Referrals and other Compensation**

TCA provides economic benefits to HBW. TCA provides to HBW an annual marketing budget to offset training of HBW reps and other marketing projects. This is a conflict of interest and is mitigated by our representatives by acting in the best interest of the Client and by our Standard of Conduct stated earlier.

HBW receives a non-economic benefit from Betterment Institutional and Betterment Securities in the form of the support products and services it makes available to HBW and other independent investment advisors whose clients maintain their accounts at Betterment Securities. These products and services, how they benefit HBW, and the related conflicts of interest are described above (see Item 12—Brokerage Practices). The availability to HBW of Betterment Institutional and Betterment Securities' products and services is not based on HBW giving particular investment advice, such as buying particular securities for HBW's clients.

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## Item 4 Advisory Services

HBW Advisory Services LLC (HBW) was formed on March 13, 2007 and is an SEC registered firm domiciled in the State of California. HBW Insurance & Financial Services, Inc. own 77.5% of HBW. HBW does not have any other intermediate subsidiary relationships.

HBW provides advisory services such as asset management, financial planning which includes retirement planning, investment planning, asset allocation, estate planning and college planning. HBW offers such services to individuals, businesses and institutional Clients (other than investment companies). HBW also offers the service of selecting other advisers for Clients. HBW concentrates on servicing individuals with discretionary asset management. A complete breakdown of all our services is detailed in the Fees and Compensation section.

HBW will consider Client's risk tolerance by using a questionnaire to determine asset allocation and recommend models/strategies for investment planning based on the risk tolerance score results. HBW can also offer through certain Third Party Money Managers the ability to impose restrictions on investing in certain securities or types of securities. HBW does not participate in wrap fee programs.

HBW manages all accounts on a discretionary basis. The total accumulated assets held with HBW as of August 31, 2015 were \$240,841,044.

## Item 5 Fees and Compensation

### Advisory Services and Fees

HBW provides advisory services with customized lifestyle securities portfolios. Each portfolio is designed on the advisory Client's life status and may broadly be described as growth, growth and income and income. HBW offers 3 distinct discretionary asset management services as stated below.

### Assets Under Management

#### **HBW Advisor money manager:**

HBW manages all or a portion of advisory accounts. HBW utilizes subadvisors to tap talent that is not available in-house to manage all or some of the investment models. HBW will obtain written authorization from the Client in the Contract for Financial Advice for discretionary authority to manage Clients' accounts and for fee deduction at Trust Company of America (TCA) and Jefferson National (JeffNat). The annual tiered fee schedule per account is listed below:\*

#### **\*Tactically-Managed accounts (at all Custodians) and Eldorado Tax-Managed Strategy (at TCA):**

<u>Account Range</u>	<u>Annual Fee</u>
Up to \$2 million	1.85%
\$2 million up to \$5 million	1.70%
\$5 million and up	1.55%

#### **\*The HBW Blended Asset Allocation/Muni Bond Models (at TCA):**

<u>Account Range</u>	<u>Annual Fee</u>
Up to \$2 million	1.55%
\$2 million up to \$5 million	1.40%
\$5 million and up	1.25%



**\*The Muni Bond Model (at TCA):**

<u>Account Range</u>	<u>Annual Fee</u>
Up to \$2 million	1.25%
\$2 million up to \$5 million	1.10%
\$5 million and up	0.95%

The annual fee is stated in the Contracts for Financial Advice. The annual fee is prorated and deducted quarterly from the Client's advisory account based on the market value of the assets under management on the last business day of each quarter in arrears paid to HBW. HBW will be paid directly from fee deduction from Client accounts. HBW will pay Third Party Money managers for their services. Clients on the JeffNat platform shall receive an invoice for fees concurrent with the deduction by JeffNat. Clients will also receive an account statement from JeffNat quarterly. Clients on the TCA platform shall receive a quarterly statement with fee calculations concurrent with the deduction by TCA.

Lower fees for comparable services may be available from other sources including other investment advisors.

**HBW Advisor Solicits for Third Party money managers:**

HBW may also act as a solicitor for Third Party money managers on those occasions when HBW utilizes the services of a third party to manage all or a portion of an advisory account. Portfolio management for individuals and /or small businesses and portfolio management for business or institutional Clients will also be available through Third Party money managers. Advisory Clients shall only pay the fee assessed by the third party for that portion of the account managed by such third party as disclosed in the respective Form ADV Part 2 and Solicitors Agreement given to the Client at the time of solicitation. Client will also need to sign the Third Party Money manager's agreement at the time of sale. HBW will receive a portion of the fee paid to third party money manager as disclosed in the Solicitors Agreement. Terminations are based on the Third Party money managers terms as disclosed in their ADV Part 2.

**HBW Advisor Managed Other Account:**

HBW will obtain written authorization from Client for discretionary authority on the Contract for Financial Advice to manage the Clients account(s) including but not limited to, 401(k)'s, 403(b)'s, 457's, account held at TradePMR and for fee deduction at various other custodians. Not available for new HBW Contracts for Financial Advice written 9-1-2015 or after. Annual fees range from 1%-2% depending on the size, complexity and custodian of the account using the following as a guide.

<u>Assets under Management</u>	<u>Annual Fee</u>
\$50,000 to \$ 250,000	2.00%
\$250,001 to \$1,000,000	1.75%
\$1,00,001 to \$2,000,000	1.50%
\$2,000,001 to \$3,000,000	1.25%
Over \$3,000,000	1.00%

The annual fee is stated in the Contract for Financial Advice. The annual fee is prorated and deducted quarterly from the Client's advisory account based on the market value of the assets under management on the last business day of each quarter in arrears. Client shall receive an invoice for fees concurrent with the deduction by the account custodian. Client will also receive an account statement from the custodian at least quarterly.



**HBW Advisor Managed Midland National Life Vector 1 & 2 Contracts:**

HBW is also a Third Party Money Manager on certain contracts at Midland National Life Insurance Co (MNL) and is compensated by MNL 35 basis points per year prorated quarterly for those services. HBW may enter into Sub Advisory agreement to provide this service.

**Online Portfolio Management Platform**

HBW has partnered with Betterment LLC, a registered investment adviser, to offer portfolio management services through the Betterment Institutional online platform. This Program allows Clients to create and/or choose portfolios diversified among ETFs. HBW will assist Client in selecting investments based on Client's risk profile. Betterment LLC will then manage client's portfolio on a discretionary basis. Client will separately enter an agreement with Betterment LLC, granting them discretionary authorization to buy and sell, when to buy and sell, and in what amounts, in accordance with client's investment parameters, without obtaining client's prior consent or approval for each transaction. HBW assumes discretionary authority to rebalance client portfolio. Client also enters into a discretionary arrangement with HBW.

On an annualized basis, our advisory fees for our online portfolio management platform are equal to the fee schedule per account below:

<u>Assets under Management</u>	<u>Annual Fee</u>
Up to \$250,000	1.50%
\$250,000 up to \$500,000	1.25%
Over \$500,000	1.00%

HBW's annual portfolio management fee is billed and payable quarterly in arrears based on client's average daily account balance for the prior quarter. If the management agreement is executed at any time other than the first day of a calendar quarter, HBW's fees will apply on a pro rata basis, which means that the advisory fee is payable in proportion to the number of days in the quarter for which client is a client.

Betterment LLC will share in a portion of the advisory fee client pays to HBW. Client will be required to sign an agreement directly with Betterment LLC as well as a discretionary agreement with HBW.

Client may terminate client's advisory relationship with Betterment LLC according to the terms of client's agreement with Betterment LLC. Client should review Betterment LLC's brochure for specific information on how client may terminate client's advisory relationship with them and how client may receive a refund, if applicable. Client should contact Betterment LLC directly for questions regarding client's advisory agreement with Betterment LLC.

**Refunds and Terminations**

Client may rescind this Contract within five (5) business days after its effective date, by giving written notice to Financial Advisor or HBW. If Client rescinds within five (5) business days, the contract will be terminated without compensation to HBW.

Either Client or HBW may terminate the contract by giving written notice to the other. Clients may terminate their Contract for Financial Advice at any time. Please allow ten business days to process the written notice and cancel the application. Client will be responsible to pay compensation for all services rendered under this Contract until the effective date of termination, or the date written notice of termination is received by HBW or Financial Advisor, if later. In the event Client terminates an asset management relationship prior to the end of the quarter, pro-rated quarter fees will be assessed to the

date of termination. If client fails to pay HBW for services from prior quarter, 30 days after the payment is due this will terminate the Contract for Financial Advice for the accounts in which the services were not paid.

### **Fees**

If Client desires asset management services HBW may recommend the use of Trust Company of America (TCA), Jefferson National (JeffNat) or other custodians as the custodian broker dealer. Client will pay an Asset Based Fee in return for asset management services. Asset Based Fees shall only apply to the "Advisory Assets" of Client. "Advisory Assets" are defined as those assets which the Client directs HBW to manage. This could include the Client's 401(k) plan(s), IRA plan(s), Joint, individual, and family investment plans, estate and/or trust plans, insurance plans or may include other assets which HBW and/or the associated person monitors or provides investment advice or analysis for Client. HBW will direct the custodian to debit the asset based fees from the account defined as Advisory Assets. Additional costs will be imposed by the custodians for account maintenance including, but not limited to, custodial fees and transaction fees in addition to any investment advisory fees described herein. JeffNat has a \$20/mo expense fee. TCA fees include, but are not limited to \$50 to close an account, \$25 per asset to transfer out in kind, \$25 to issue a check and \$35 for a wire. TCA's custodial fees will apply as follows:

Account Range	Asset Based Fee*	Account Range	Asset Based Fee*
\$0.00 - \$249,000	0.2613%	\$1,000,000.00 - \$1,999,999.99	0.0950%
\$250,000 - \$499,999.99	0.2375%	\$2,000,000.00 - \$4,999,999.99	0.0665%
\$500,000 - \$999,999.99	0.1425%	\$5,000,000.000 and above	0.0475%

**\*Any revenue sharing provided by a fund company - transfer agent, shareholder servicing or 12(b)1 fees collected by Trust Company of America will be used as an offset against the account custody fees up to 0.25%. Series II models were designed to (1) significantly reduce custodial fees and (2) reduce the number of trades (which maybe more suitable for non-qualified accounts).**

For more information regarding brokerage please see section 12.

### **Hourly Charges**

HBW also provides advisory services, including financial planning services. Financial Planning services are available to all Clients who desire or need the service.

### **Retirement Planning**

HBW will make a systematic plan for Client to use by setting a side income for Client's future retirement. Client will need to provide data such as number of years till retirement, approximate income desired in retirement, current assets available for retirement, qualified social security benefits to be considered or not, etc. in order to receive a meaningful plan.

### **Investment Planning & Asset Allocation**

This service is offered by HBW and will consider Client's risk tolerance by using a questionnaire to determine asset allocation and recommend models/strategies for investment planning based on the risk tolerance score results.

### **Estate Planning**

Limited estate planning is offered by HBW which is usually as a result of an attorney's recommendation. HBW recommends Clients with complicated Estate tax issues consult the advice of an attorney. HBW does not offer legal or tax advice.

### **College Planning**

HBW will make a systematic plan for future college expenses by analyzing Client's future college needs with data collected regarding these needs such as number of years till college, what type of college, in state or out of state, scholarship opportunities, money already set aside for college, and other relevant data.

### **Written Financial Plans**

Written Financial Plans are available for financial planning services with fees to be billed up to \$150/hour, plus any third party legal or accounting fees if applicable based on Client situation. Client will need to approve in writing any third party fees before they are incurred. Hourly rates are negotiable at the discretion of HBW and are stated in the agreement for financial advice. Written Financial Planning services take approximately 5 - 10 hours to prepare and present. Time will be spent collecting financial data from Client, analyzing & computing data, then presenting the plan to the Client. HBW cannot accept prepayment of more than \$1,200 more than six months in advance. If a Client cancels, any prepaid fees will be refunded, less time spent on the plan by HBW, at the previously negotiated hourly fee of up to \$150.00 per hour. An estimated range of time is provided to the Client prior to the commencement of the plan and the total hours are usually capped at a given level. Should the scope change from that previously agreed in writing, then an adjustment in writing shall take place relative to that cap. Client will not be charged additional fees if the account is currently being actively managed and the account is being billed on an Asset Under Management fee basis.

### **Other Hourly Services**

HBW also offers financial advice for review and allocation recommendations of clients account(s), held outside HBW Advisory Services LLC and HBW Securities LLC, including but not limited to variable annuities, 401(k)'s, 403(b)'s, 457's or other company sponsored plans on an hourly basis. Fee not to exceed .50% quarterly of the account balance. The hourly base rate for such service is \$200/hour. Reviews are estimated to be billed approximately 15 minutes/quarter or 1 hour per year. Actively managed accounts where HBW is effecting the trades are estimated at 30 minutes/per occurrence approximately 6 times per year. Client will not be charged hourly fees on any account that is billed by HBW on an Asset Under Management fee basis.

Other hourly rates are available for additional financial services not mentioned above and are negotiable at the discretion of HBW for \$150 - \$300/hour based upon the complexity and resources needed to complete the project.

Hourly fees are invoiced and billed in advance at the time of signing the agreement and an invoice is given to the Client. HBW cannot accept prepayment of more than \$1,200 more than six months in advance.

Lower fees for comparable services may be available from other sources including other investment advisors.

### **Refunds and Terminations**

Client may rescind this Contract within five (5) business days after its effective date, by giving written notice to Financial Advisor or HBW. If Client rescinds within five (5) business days, HBW will refund any prepayment on a pro-rata basis.

Either Client or HBW may terminate the contract at any time by giving written notice to the other. Clients may terminate their Contract for Financial Advice at any time. Please allow ten business days to process the written notice and cancel the application. Client will be responsible to pay compensation for all services rendered under this Contract until the effective date of termination, or the date written notice of termination is received by HBW or Financial Advisor, if later. If a Client cancels, any prepaid fees will be refunded, less time spent on the plan by HBW, at the previously negotiated hourly fee of \$150 to \$300 per hour. If client fails to pay HBW for services rendered 30 days after the payment is due this will terminate the Contract for Financial Advice for the accounts in which the services were not paid.

### **Fixed Fees**

HBW offers distinct fixed fee services as stated below.

### **Written Financial Plans**

Written Financial Plans are available for a fixed fee. This fee could range \$250 to \$1,200 per plan.

### **Ongoing Comprehensive Financial Consulting (Ideal Client)**

Ongoing Comprehensive Financial Consulting (Ideal Client) is for a fixed fee up to \$2500 per year. Up to \$1200 can be billed in advance with the initial Contract for Financial Advice. Ongoing fees for this service are payable in arrears upon services rendered.

### **Review and Recommendations**

Review and recommendations of clients account(s) held outside of HBW and HBW Securities LLC, including but not limited to variable annuities, 401(k)'s, 403(b)'s, 457's or other company sponsored plans on a fixed fee basis. These fees could range from \$50 to \$200 per review per account not to exceed .50% quarterly of the account balance being reviewed. An additional charge not to exceed \$500/yr per account for HBW to actively manage (effect trades), per specified accounts not to exceed .50% quarterly of the account balance.

### **Subscription Services**

HBW offers subscription services for company sponsored retirement plans. HBW has entered into an agreement with 401kwealthengine.com to provide investment advice for plan participants. The subscription price is \$35/month of which HBW is compensated \$16/month.

### **Other Advisory Services**

These fixed fees could range in price from \$200 to \$1,200 depending on the size, complexity and hours estimated to complete the project. Fixed Fees are negotiable at the discretion of HBW and are stated in the Contract for Financial Advice. For example, a fixed fee program would be used in lieu of an hourly fee program when the Client requests an ongoing service rather than a one-time review or when HBW negotiates a fixed fee for a financial plan. Fixed fees are invoiced and billed in advance at the time of signing the Contract for Financial Advice and an invoice is given to the Client. HBW cannot accept prepayment of more than \$1,200 more than six months in advance. Client will not be charged fixed fees on any account being billed by HBW on an Asset Under Management fee basis.

Lower fees for comparable services may be available from other sources including other investment advisors.

### **Refunds and Terminations**

Client may rescind the Contract within five (5) business days after its effective date, by giving written notice to Financial Advisor or HBW. If Client rescinds within five (5) business days, HBW will refund any prepayment on a pro-rata basis.

Either Client or HBW may terminate this contract at any time by giving written notice to the other. Clients may terminate their Contract for Financial Advice at any time. Please allow ten business days to process the written notice and cancel the application. Client will be responsible to pay compensation for all services rendered under this Contract until the effective date of termination, or the date written notice of termination is received by HBW or Financial Advisor, if later. If Client cancels, any prepaid fees will be refunded, less time spent on the plan by HBW, at the previously negotiated fee. If client fails to pay HBW for services rendered 30 days after the payment is due this will terminate the Contract for Financial Advice for the accounts in which the services were not paid.

### **Other compensation**

HBW does not accept compensation for the sale of securities or other investment products, including asset-based sales charges. HBW does not receive service fees from the sale of mutual funds, so excessive trading cannot generate additional revenue to supervised persons. HBW mitigates the issue of the supervised person's incentive to recommend investment products based on compensation received rather than Client's needs in HBW's Standard of Conduct section.

Client has the option to purchase investment products that HBW recommends through other brokers not affiliated with HBW.

Principals and associates of HBW may also be dually registered as Registered Representatives of HBW Securities LLC, a registered broker-dealer. Advisory Clients may be offered various securities through HBW Securities LLC in addition to the advisory services offered by HBW. The purchase of securities may result in the dually registered advisor receiving commission based compensation for securities offered through HBW Securities. Clients are not obligated to purchase any securities products through HBW Securities LLC from HBW or its associates. HBW has had a 2 year voluntary prohibition on charging fees from commissions based variable annuities and mutual funds sold through broker-dealer. Beginning 9-1-2015 this is no longer permitted for new clients. If the Client chooses to implement HBW's recommendations through HBW Securities LLC, a registered broker-dealer, a conflict of interest exists. These conflicts are mitigated by HBW's Standard of Conduct section.

HBW does not charge commissions or mark ups in addition to asset based advisory fees, therefore HBW does not reduce asset based advisory fees to offset commissions or mark ups.

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

HBW does not accept any performance-based fees.

## **Item 7 Types of Clients**

HBW generally provides investment advice to individuals. Individuals make up more than 75% of the all the accounts held at HBW. HBW also provides financial services to businesses, trusts, estates, charitable organizations, pension and profit sharing plans. Requirements for opening and maintaining accounts for certain investments may be imposed by the custodians at the platform or other third party investment advisors managing the account. HBW does not require Client to open or maintain an account.

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

HBW primarily utilizes Third Party Registered Investment Advisors (TPIA) for market analysis and investment strategies used in managing assets. HBW seeks TPIA's who we believe will repeatedly outperform their relevant benchmarks. HBW has developed a platform at Trust Company of America that provides complete trading transparencies from TPIA's. At HBW we primarily select TPIA's that employ tactical and absolute return style strategies in an attempt to minimize investment risk and market losses. At HBW we believe that avoiding unrecoverable large losses are more important than trying to capture all of the upside. To accomplish this we have developed a multi manager platform that allows Clients to get a diversified investment portfolio of tactical and absolute return style investments from multiple investment strategies offered through multiple TPIA's. While the intent of using our multi manager platform is to deliver consistent, predictable returns uncorrelated to major stock market indices, all investing has the risk of loss of principal that Clients should be prepared to bear. In addition to our primary use of TPIA's on our multi manager platform, HBW also has solicitor agreements with a wide variety of TPIA's that our HBW Representatives can take Clients to on a direct basis. HBW also offers brokerage accounts where the HBW representative may use their own investment strategies.

These investment strategies are closely monitored by HBW and are designed to offer very customized investment portfolios for Clients. All Clients are required to complete a thorough risk tolerance, investment objective questionnaire and must be a suitable investor for the respective strategies. Clients are reminded quarterly to update HBW if their risk tolerance has changed. Upon receipt of any change the representative may reallocate the Clients assets. Investing in any securities involves risk of loss and Clients of HBW should be prepared to take this risk.

Each investment strategy offered through HBW TPIA's is unique and involves material risks that are described in detail on fact sheets available for each strategy. Since most investment strategies offered through HBW TPIA's involve tactical or absolute return style investing performance is largely uncorrelated to major market indices. Therefore investment risk is shifted from market performance to money manager's skill. While HBW selects and monitors TPIA's that we believe can achieve superior investment results there is no assurance that the skill of the TPIA's will achieve desired results. Most investment strategies employed by our TPIA's will involve moving assets to fixed income or cash positions during periods of high market volatility to preserve principal. Some investment strategies will employ the use of inverse investments in an attempt to make gains in down markets. Use of inverse investments can result in losses even during 'up' markets. The use of fixed income or cash positions can result in lack of participation in market 'up' sides. Therefore the defensive techniques of cash or inverse investments can lead to loss of 'up' side capture or even losses if the TPIA's employ them in periods of 'up' markets. Therefore performance of these types of investments is largely dependent on the skill of the TPIA's and may not be correlated with major market indices.

Further, due to the frequent trading of securities employed by these types of strategies, the majority of capital gains will be short term capital gains which are taxed as ordinary income. Since ordinary income tax rates are typically higher than long term capital gains rates, Clients utilizing these strategies should consider adverse tax consequences for non-tax qualified accounts. This adverse tax ramification is not a factor for qualified accounts such as IRA's, Simple, 401(k), Roth's, SEP, etc.

Since these strategies involve frequent trading, to avoid increased brokerage and other transaction fee costs, HBW utilizes an asset based custody trading platform. This trading platform contains all brokerage and transaction costs to a flat custody fee of 0.04% to 0.26% depending on account size as stated in our Contract for Financial Advice. HBW also offers a brokerage platform for less frequently traded accounts where trades are transaction fee based.



HBW does not primarily recommend a particular type of security, proprietary fund or Third Party Money Manager.

## **Item 9 Disciplinary Information**

In the past 10 years, neither HBW nor any of its representatives have been convicted of, nor pled guilty or nolo contendere ("no contest") to a felony; misdemeanor that involved investments or an investment-related business, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, or extortion; nor of any conspiracy to commit any of these offenses as a criminal or civil action in a domestic, foreign or military court of competent jurisdiction.

In the past 10 years, neither HBW nor any of its representatives have been named as the subject of a pending criminal proceeding that involved an investment-related business, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, extortion, or a conspiracy to commit any of these offenses as a criminal or civil action in a domestic, foreign or military court of competent jurisdiction.

No domestic, foreign or military court of competent jurisdiction has ever found HBW or any of its representatives to have been involved in a violation of an investment-related statute or regulation; nor was HBW or any of its representatives the subject of any order, judgment, or decree permanently or temporarily enjoining, or otherwise limiting, HBW or any of its representatives from engaging in any investment-related activity, or from violating any investment-related statute, rule, or order.

In the past 10 years HBW has never had an administrative proceeding before the SEC, any other federal regulatory agency, any state regulatory agency, any foreign financial regulatory authority or a self-regulatory organization (SRO) nor has HBW been found to have caused an investment-related business to lose its authorization to do business; or to have been involved in a violation of an investment-related statute or regulation that was the subject of an order by the agency or authority to deny, suspend, or revoke the authorization, association or significantly limit HBW to act in an investment-related business. Nor have they imposed a civil money penalty of more than \$2,500 to HBW.

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

The Broker-Dealer (HBW Securities, LLC) is an introducing broker-dealer that operates in all 50 states and offers mutual funds, variable annuities, and variable universal life products to its individual customers and the insurance company (HBW Insurance & Financial Services, Inc.) offers term life and other simple insurance products (i.e. fixed annuities, equity index annuities, etc.) through a network of insurance companies (i.e. American General, ING, etc.) to its individual customers. Charles P. Reinhold is a principal of CPR Investments LLC and all of CPR Investments LLC's Clients and assets were moved to HBW.

HBW may recommend or select other investment advisers for Clients. Client shall only pay the fee assessed by the third party for that portion of the account managed by such third party as disclosed in the respective Form ADV Part 2 and Solicitors Agreement given to the Client at the time of solicitation. HBW will receive a portion of the fee paid to third party money manager as disclosed in the Solicitors Agreement.



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

### Standard of Conduct:

HBW and its personnel subscribe to a strict code of ethics that requires the interests of the advisory Client be placed above everything else. All activities conducted by HBW on behalf of advisory Clients must benefit the Client. A complete copy of HBW's code of ethics is listed below. The Investment Advisers Act of 1940 imposes a fiduciary duty on investment advisers and as such HBW has a duty of utmost good faith to act solely in the best interests of each of our Clients. Our Clients entrust us with their funds which in turn places a high standard on our conduct and integrity. Our fiduciary duty compels all employees to act with the utmost integrity in all of our dealings. This fiduciary duty is the core principal underlying the Code of Ethics and the personal trading policy, and represents the expected basis of all of our dealings with our Clients

This Code of Ethics consists of the following core principles:

1. The interests of Clients will be placed ahead of HBW's or any employee's own investment interests.
2. Employees are expected to conduct their personal securities transactions in accordance with the personal trading policy and will strive to avoid any actual or perceived conflict of interest with the Client. Employees with questions regarding the appearance of a conflict with a Client should consult with the CCO before taking action that may result in an actual conflict.
3. Employees will not take inappropriate advantage of their position with HBW.
4. Employees are expected to act in the best interest of each of our Clients.
5. Employees are expected to comply with all federal and state securities laws and strict adherence to the policy manual will assist the employee in complying with this important requirement.

A copy of the Code of Ethics will be provided to any Client of prospective Client upon request.

HBW does not buy or sell for Client accounts, securities in which HBW or a related person has a material financial interest.

Principals and associates of HBW may buy or sell securities identical to those recommended to Clients for their personal accounts. It is policy of HBW that no principals or associates of HBW may purchase or sell any security prior to a transaction(s) being implemented for a Client, therefore preventing such employees from benefiting from transactions placed on behalf of the Client's accounts.

Principals and associates of HBW may have an interest or position in a certain security(s) identical to those recommended to Clients for their personal accounts.

Principals and associates of HBW will on occasion buy or sell for themselves securities, mutual funds and/or insurance. In all cases, recommendations to Clients to purchase the same or similar securities are made only after careful review of the Client's financial situation and the recommendation is found to be suitable for their specific needs.

As all these situations represent a conflict of interest, HBW has established the Code of Ethics Core Principle found above to ensure HBW's fiduciary responsibilities to mitigate these conflicts. HBW is in compliance with CCR Section 260.23(k).

## Item 12 Brokerage Practices

HBW has identified registered broker-dealers to provide the necessary custodial and execution services. HBW has made arrangements for custodial broker-dealers to provide the needed services at reasonable and customary rates and are believed to be the best choice for the HBW's Clients' needs. HBW will add additional broker-dealer platforms or change a broker-dealer if HBW deems necessary for a variety of factors being cost, accuracy and timeliness of trades, capacity and service. Representatives have research available to them on the broker-dealer website or other outside sources, but such research is obtained without a "soft dollar benefit" arrangement. HBW does not pay additional fees for any research. HBW does not direct Client transactions to a particular broker-dealer in return for Client referrals or for any other incentive which may not be in the best interest of the Client's needs.

EQIS Capital is an Investment Advisor who provides compensation to HBW based on a percentage of the assets of their platform. This compensation has been negotiated for the use of HBW to offset the costs to provide training events for our Investment Adviser Representatives. Trust Company of America provides to HBW a yearly marketing budget. This compensation has been negotiated for the use of HBW to offset the cost of marketing assistance to our Investment Adviser Representatives. This is a conflict of interest and is mitigated by our representatives acting in the best interest of the Client and by our Standard of Conduct stated earlier. This arrangement does not effect the Client's execution of services or markups in fees.

HBW does not permit a Client to direct brokerage, which may cost Clients more money because the Client may receive less favorable prices.

HBW does on occasion execute portfolio transactions as part of concurrent authorizations to purchase or sell the same security for another Client or one or more of our associated persons. HBW may choose to aggregate trades for Client accounts with other Client accounts and personal accounts of persons associated with HBW. When HBW places an aggregate trade, all participants included in the block receive the same price per share on the trade. The price is calculated by averaging the price of all shares traded. Due to the averaging of price over all of the participating accounts, aggregated trades could be either advantageous or disadvantageous. Fees are not averaged. Clients will pay the same fee whether trade is placed as part of block or on an individual basis. The objective of the aggregated order will be to allocate the execution in a manner that is deemed equitable to all the accounts involved.

### **Betterment Online Portfolio Management Platform**

HBW requires that clients who participate in HBW's online portfolio management platform use MTG, LLC dba Betterment Securities ("Betterment Securities"), a registered broker-dealer, member SIPC, as the qualified custodian. HBW is independently owned and operated and is not affiliated with Betterment Securities. Betterment Securities will hold client's assets in a brokerage account and buy and sell securities when HBW and/or client instructs them to. While HBW recommends that client use Betterment Securities as custodian/broker, client will decide whether to do so and will open client's account with Betterment Securities by entering into an account agreement directly with them. HBW does not open the account for client, although HBW may assist client in doing so. If client does not wish to place client's assets with Betterment Securities, then HBW cannot manage client's account on Betterment Institutional (defined below).

For HBW clients' accounts that Betterment Securities maintains, Betterment Securities generally does not charge client separately for custody services, but is compensated as part of the Betterment Institutional (defined below) platform fee, which is a percentage of the dollar amount of assets in the

account in lieu of commissions. HBW has determined that having Betterment Securities execute trades is consistent with HBW's duty to seek "best execution" of client's trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above.

Betterment Securities serves as broker dealer to Betterment Institutional ("Betterment Institutional"), an investment and advice platform serving independent investment advisory firms like HBW. Betterment Institutional also makes available various support services which may not be available to Betterment's retail customers. Some of those services help HBW manage or administer clients' accounts, while others help HBW manage and grow HBW's business. Betterment Institutional's support services are generally available on an unsolicited basis (HBW doesn't have to request them) and at no charge to us. Following is a more detailed description of Betterment Institutional's support services:

- **SERVICES THAT BENEFIT CLIENT.** Betterment Institutional includes access to a range of investment products, execution of securities transactions, and custody of client assets through Betterment Securities. Betterment Securities' services described in this paragraph generally benefit client and client's account.
- **SERVICES THAT MAY NOT DIRECTLY BENEFIT CLIENT.** Betterment Institutional also makes available to HBW other products and services that benefit HBW, but may not directly benefit client or client's account. These products and services assist us in managing and administering HBW clients' accounts, such as software and technology that may:
  - Assist with back-office functions, recordkeeping, and client reporting of HBW's clients' accounts.
  - Provide access to client account data (such as duplicate trade confirmations and account statements).
  - Provide pricing and other market data.
  - Assist with back-office functions, recordkeeping, and client reporting.
- **SERVICES THAT GENERALLY BENEFIT ONLY HBW.** By using Betterment Institutional, HBW will be offered other services intended to help HBW manage and further develop HBW's business enterprise. These services include:
  - Educational conferences and events.
  - Consulting on technology, compliance, legal, and business needs.
  - Publications and conferences on practice management and business succession.
- **HBW's INTEREST IN BETTERMENT SECURITIES' SERVICES.** The availability of these services from Betterment Institutional benefits HBW because HBW does not have to produce or purchase them. In addition, HBW doesn't have to pay for Betterment Securities' services. These services may be contingent upon HBW committing a certain amount of business to Betterment Securities in assets in custody. HBW may have an incentive to recommend that client maintain client's account with Betterment Securities, based on HBW's interest in receiving Betterment Institutional and Betterment Securities' services that benefit HBW's business rather than based on client's interest in receiving the best value in custody services and the most favorable execution of client's transactions. This is a potential conflict of interest. HBW believes, however, that HBW's selection of Betterment Securities as custodian and broker is in the best interests of HBW's clients. HBW's selection is primarily supported by the scope, quality, and price of Betterment Securities' services and not Betterment Institutional and Betterment Securities' services that benefit only HBW.

## Item 13 Review of Accounts

**REVIEWS:** Managed accounts are reviewed quarterly. Account transactions are reviewed daily. Financial planning accounts are reviewed annually. The calendar is the triggering factor. Accounts at Third Party Money Managers are reviewed when HBW receives their statements - usually quarterly. Unscheduled review may occur as needed or if Client requests such.

**REVIEWERS:** Charles Reinhold reviews or designates someone to review all Client accounts at this time. Reviews are performed on a portfolio analysis basis.

**REPORTS:** Clients of HBW receive quarterly reports from account custodians, mutual funds or other Third Party Money Managers showing account values. Clients receive confirmations of all transactions unless they choose to opt out.

## Item 14 Client Referrals and Other Compensation

HBW holds occasional training events for our representatives. At these events other Third Party Investment Advisors are invited to attend to train our representatives about their products, in return for a speaking slot on the agenda a cost will be imposed to them. This cost offsets the cost of the event. EQIS Capital is an Investment Advisor who provides economic benefits to HBW. Their compensation is based on a percentage of the assets of their platform. In both instances this is a conflict of interest and is mitigated by our representatives by acting in the best interest of the Client and by our Standard of Conduct stated earlier. TCA provides economic benefits to HBW. TCA provides to HBW an annual marketing budget to offset training of HBW reps and other marketing projects. This is a conflict of interest and is mitigated by our representatives by acting in the best interest of the Client and by our Standard of Conduct stated earlier.

HBW receive a non-economic benefit from Betterment Institutional and Betterment Securities in the form of the support products and services it makes available to HBW and other independent investment advisors whose clients maintain their accounts at Betterment Securities. These products and services, how they benefit HBW, and the related conflicts of interest are described above (see Item 12—Brokerage Practices). The availability to HBW of Betterment Institutional and Betterment Securities' products and services is not based on HBW giving particular investment advice, such as buying particular securities for HBW's clients.

HBW strictly prohibits the compensation of any person who is not a registered supervised person for Client referrals.

## Item 15 Custody

HBW's representatives will obtain written authorization from the Client for fee deduction by executing the HBW Contract for Financial Advice. Clients will receive account statements from the qualified custodian quarterly or more frequently. Clients should carefully review their statements and compare to fees invoiced by HBW. Clients should contact HBW or their representative with any questions.

## **Item 16 Investment Discretion**

Each advisory Client grants HBW limited discretion by executing HBW's Contract for Financial Advice to determine the securities to be bought or sold and the quantity of each security to be bought or sold. Each advisory Client grants the custodian authorization to withdraw the quarterly management fee. HBW is not required to contact advisory Client when executing a transaction in a managed account.

HBW will consider Client's risk tolerance by using a questionnaire to determine Asset Allocation and recommend models/strategies for investment planning based on the risk tolerance score results. Every new account is reviewed by the CCO for risk tolerance and model/strategy recommendation of the Representative. Clients are notified in writing at least once a year and in some cases quarterly to contact HBW or their representative if any changes occur to change their investment strategy.

## **Item 17 Voting Client Securities**

HBW does not have any financial condition that would impair HBW'S ability to meet the Client's contractual requirements. HBW does not accept any prepay of more than \$1200 in fees per Client, six months or more in advance.

## **Item 18 Financial Information**

HBW does not have any financial condition that would impair HBW'S ability to meet the Client's contractual requirements. HBW does not accept any prepay of more than \$1,200 in fees per Client, six months or more in advance.