



## Fragasso Financial Advisors, Inc.

Firm Brochure  
(Form ADV Part 2A)

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**This brochure provides information about the qualifications and business practices of Fragasso Financial Advisors. If you have any questions about the contents of this brochure please contact us at 412-227-3200. 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.**

**Fragasso Financial Advisors is a registered investment advisor. Registration does not imply any level of skill or training.**

**Additional information about Fragasso Financial Advisors also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## **Item 2 – Material Changes**

The following is a summary of certain changes made to this Firm Brochure since the date of our last annual update and brochure revision dated February 5, 2016. Item 4 was updated to reflect that The Fragasso Group, Inc. doing business as Fragasso Financial Advisors changed its legal name to Fragasso Financial Advisors, Inc. Item 4 was updated to describe that in certain circumstances within our Retirement Plan Consulting Services offering we may provide investment management services to retirement plan sponsors. Item 5 was updated to describe the new fee structure for MWP accounts. Under the new fee structure, the advisory fee will be separated into three components: the advisory fee to FFA, the LPL Program fee, and the Strategist fee. The new fee structure will apply to all new accounts, and for existing accounts after clients complete a fee conversion form.

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## **Item 4 – Advisory Business**

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Fragasso Financial Advisors, Inc. (“FFA”, we” or “our”) provides clients with various asset management programs and financial planning services as described below. The Fragasso Group, Inc. doing business under the name of FFA, became registered as an investment advisor in 1996. Robert Fragasso started as a sole practitioner in 1972, forming the Fragasso Group in 1979, and moved to an independent broker/dealer and investment advisor in 1996. The Fragasso Group, Inc. began operating under the name FFA in 2007, and changed its legal name to Fragasso Financial Advisors, Inc. in 2016. FFA is owned by Robert Fragasso.

FFA also uses the following additional names when conducting its advisory business; Fragasso Investment Advisors, Fragasso Retirement Plan Advisors, and Fragasso Non-Profit Investment Advisors.

### **Asset Management Services**

FFA offers discretionary asset management services through a program account (the “Program”) based on the individual needs of clients (“client”, “you” or “your”). Understanding your personal situation is very important to the services we provide. We will determine your financial goals and objectives, as well as your family responsibilities and tolerance for risk, through discussions with you. The investment objective you select, which could range from income with capital preservation to aggressive growth, will guide us in managing your account. In the Program we provide management services using a variety of investment types, including but not limited to, institutional no-load and load-waived mutual funds, exchange traded funds (“ETF”), variable annuity subaccounts, alternative investments, individual stocks and options.

In order for FFA to manage your assets, you will be required to establish a Program account in your name at LPL Financial (“LPL”), a registered broker/dealer and qualified custodian. LPL provides clearing, custody and other brokerage services for accounts established through the Program. You will retain all rights of ownership on your account, including the right to withdraw securities or cash, vote proxies, receive transaction confirmations and receive periodic account statements. In addition, you will also have the ability to impose restrictions on investing in certain securities or types of securities at the time you open the account.

In order to hire us to provide management services, you will be required to enter into a written investment advisory agreement with us. This agreement will set forth the terms and conditions of our relationship, including the amount of your investment advisory fee. You will also be required to complete a custodial account application with LPL.

On an accommodation basis, FFA may also agree to handle certain accounts on a non-managed basis. In such cases, FFA will not be responsible for providing management on either a discretionary or non-discretionary basis.

### **Optimum Market Portfolios**

FFA offers the LPL Optimum Market Portfolios (“OMP”) advisory program. Both FFA and LPL serve as investment advisors and provide ongoing investment advice for the OMP program.

The OMP program offers clients the ability to participate in a professionally managed asset allocation program using Optimum Funds Class I shares. There are up to six Optimum Funds that may be purchased within an OMP account: Optimum Large Cap Growth Fund, Optimum Large Cap Value Fund, Optimum Small-Mid Cap Growth Fund, Optimum Small-Mid Cap Value Fund, Optimum International Fund and Optimum Fixed Income Fund. Upon opening an OMP account we will select a portfolio for you based on your investment objective. LPL will then rebalance the portfolio based on the frequency selected. Clients should refer to the LPL OMP disclosure brochure for additional details.

In addition to serving as an investment advisor for the OMP program, LPL provides custodial, brokerage and administrative services to clients. Clients will be required to enter into an account agreement with FFA and LPL in order to open an OMP account and engage us for services.

### **Model Wealth Portfolios**

FFA offers the LPL Model Wealth Portfolios (“MWP”) advisory program. The MWP program is a managed mutual fund and exchange traded fund (“ETF”) asset allocation program in which both FFA and LPL serve as investment advisors and provide ongoing investment advice. Upon opening an MWP account we will select one or more model portfolio of funds designed by LPL or a third party investment strategist based on your investment objective. LPL or the outside strategist is responsible for selecting the mutual funds and/or ETFs within a portfolio. LPL has discretion to buy and sell securities in the account according to the portfolio(s) selected. An outside strategist does not have discretion, but instead provides LPL with asset allocation and fund recommendations. LPL acts as an overlay portfolio manager in coordinating the trades in the account. Clients should refer to the LPL MWP disclosure brochure for additional details.

In addition to serving as an investment advisor for the MWP program, LPL provides custodial, brokerage and administrative services to clients. Clients will be required to enter into an account agreement with FFA and LPL in order to open an MWP account and engage us for services. You will have the opportunity to impose restrictions on investing in certain securities or types of securities when completing this agreement.

### **Retirement Plan Consulting Services**

FFA offers consulting services to retirement plan sponsors in some or all of the following areas as agreed upon between the plan sponsor and FFA in the written consulting services agreement.

- Investment Policy Statement – assist the plan sponsor in developing or revising the plan’s investment policy statement based upon its objectives and constraints
- Service Provider Liaison – act as a liaison between the plan and its service providers, product sponsors and vendors based solely on instructions from the plan on investment or administrative matters. FFA will not exercise judgment or discretion with regard to these matters
- Investment Monitoring – perform ongoing monitoring of investments and/or investment managers based on written guidance provided by the plan

- Performance Reports – prepare reports, based on statements provided by the plan, reflecting performance of investments and/or investment managers and comparing the performance to benchmarks
- Investment Recommendations – recommend specific investments for plan sponsor to consider within the plan or to make available to plan participants (if applicable), and/or recommend replacement investments if an existing investment is deemed no longer suitable by the plan sponsor. All decisions regarding investment options to be made available to plan participants for purchase are the responsibility of the plan sponsor
- 404(c) Assistance – assist plan in identifying investment options under the “broad range” requirement of ERISA 404(c)
- Qualified Default Investment Alternative (QDIA) Assistance – assist client in identifying an investment alternative within the definition of QDIA under ERISA
- Education Services to Plan Sponsor – provide training for members of the plan sponsor or any plan committee with regard to their services, including education with respect to their fiduciary responsibilities
- Participant Enrollment – assist and/or provide resources to assist the plan in enrolling plan participants in the plan, including facilitating agreed upon enrollment meetings and providing participants with information about the plan such as terms and operation of the plan, benefits of plan participation, benefits of increasing plan contributions, and impact of preretirement withdrawals on retirement income
- Participant Education – facilitate individual or group investment education meetings for plan participants providing information about investment options under the plan such as investment objectives and historical performance, explaining investment concepts such as diversification and risk and return, and providing guidance as to how to determine investment time horizon and risk tolerance. This will not include individualized investment advice for a particular participant
- Changes in Investment Options – assist in making changes to investment options under the plan upon the plan sponsor’s direction. FFA will have no discretion over the changes made or be involved in trade execution
- Vendor Analysis – assist plan with the preparation, distribution and evaluation of Requests for Proposals, finalist interviews and conversion support
- Benchmarking Services – provide plan with comparisons of plan data such as fees, services, participant enrollment and participant contributions levels to data from the plan’s prior years and/or similar plans
- Fee Assessment – assist plan in identifying fees and other costs incurred by the plan for investment management, recordkeeping, participant education, participant communication and/or other services provided

The plan sponsor is responsible for determining whether or not to implement any recommendations provided by FFA. FFA does not take discretion with respect to plan assets and FFA does not provide individualized advice to participants in the plan.

In some situations, where agreed to in writing by FFA and the client, certain specified investment management services may be provided to plan sponsors. These services include making investment selections and developing custom model portfolios. Clients will be required

to enter into a retirement plan consulting investment manager agreement with FFA to engage us for these investment management services.

In certain situations, where requested by the plan sponsor and agreed to by FFA, FFA may provide individualized investment advice for a particular participant.

### **Retirement Asset Advisory Services**

We offer assessment, recommendations and monitoring of a client's choice of investments for retirement plans held by a current or former employer. It is understood that the client will be solely responsible for making the changes to their retirement account(s) and to process any resulting transactions. FFA does not provide ongoing management as a part of this service. We will periodically monitor and advise of changes needed, based upon the changing nature of the investments available through the retirement plan.

At least once a quarter, having received the retirement account statements and/or account values as furnished by the retirement plan or duly authorized representative, we provide a performance calculation for the retirement account and review the account for compliance with the original asset allocation recommendations. We then advise the client if certain changes in asset allocation or in specific investment choices are recommended.

### **Retirement Asset Modeling Services**

We provide the client with a one-time, non-fiduciary, service of investment and asset allocation advice in regard to their current or former employer sponsored retirement plan, based on the client's goals and risk tolerance. We provide asset allocation and investment recommendations to help the client meet the investment objectives as set forth in their Investment Policy Statement and Guidelines. FFA only advises the client of the recommendation based on the fact finding accomplished between us and the client. The client is responsible for making the decision to reallocate any changes within their retirement account and to process any resulting transactions. FFA does not provide ongoing management as part of this service. This one-time service may be requested by a client on more than one occasion; however, this service does not hold itself out to be a regular or primary source for the client's investment decisions.

### **Investment Account Advisory Services**

We offer assessment, recommendations and monitoring of a client's choice of investments for non-retirement investment accounts that must be held outside of our purview. It is understood that the client will be solely responsible for making the changes to their non-retirement account(s). Further, we will periodically monitor and advise of changes needed, based upon the changing nature of the client's investment objectives and risk tolerance.

At least once a quarter, having received the investment account statement and/or account values as furnished by the client, we provide a performance calculation and review of the account for compliance with the original asset allocation model. We then advise the client if certain changes in asset allocation or in specific investment choices are recommended.

## Assets Under Management

As of December 31, 2015, FFA provides advice to client accounts with a total market value of \$960,324,000 broken down as follows:

- \$830,511,000 Management on a discretionary basis
- \$ 14,534,000 OMP and MWP accounts
- \$ 115,279,000 Retirement plan assets

FFA advisory representatives also act as registered representatives of LPL in the sale of securities. In this role, FFA advisory representatives have provided guidance with respect to approximately \$ 148,301,000 worth of client investments.

## Item 5 – Fees and Compensation

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The amount of advisory fees will be disclosed prior to services being provided and agreed upon in the appropriate written investment advisory agreement. We will not require payment of more than \$500 in fees more than six months in advance.

### Asset Management Services

The annual advisory fee is based on a percentage of the market value of your accounts, including cash holdings, according to the schedule below. In addition, multiple Program accounts for the same client or household (typically same decision maker) may be combined in order to reach the next level of advisory fee. Fees are not negotiable; however fees may be discounted for active duty military or reserves, non-profit organizations and employee family related accounts, at the discretion of FFA.

Advisory Fee		Assets Under Management	
1.25%	on the first	\$ 500,000	
1.00%	on the amount from	\$ 500,001	to \$ 1,000,000
0.75%	on the amount from	\$ 1,000,001	to \$ 5,000,000
0.50%	on the amount from	\$ 5,000,001	to \$10,000,000
0.45%	on the amount over	\$ 10,000,000	

Advisory fees are due quarterly in advance and calculated by FFA based on the account's market value on the last business day of the prior quarter. Instructions are provided to LPL to deduct the advisory fees from your account. The advisory fee is shared between FFA and its advisory representatives.

In addition to the advisory fee you pay to us for our services, you will pay certain transaction charges for trade execution. These transaction charges are paid to LPL and are set out in the LPL brokerage account application. We do not receive any portion of the transaction charges. The transaction charges vary based on the type of investment (e.g., mutual fund, ETF, equity or option) and range from \$0 to \$50.00.

You may also incur certain charges imposed by third parties other than FFA in connection with investments made through the account depending upon the type of investments made and type of account. FFA does not receive any portion of these fees. These charges include, but are not limited to, the following:

- Mutual funds - mutual fund 12b-1 fees, mutual fund management fees and administrative expenses, mutual fund transaction fees and redemption charges (if applicable) and deferred sales charges on previously purchased mutual funds transferred into the account
- ETFs – fund management fees and expenses
- Variable annuities – mortality, expense and administrative charges, fees for additional riders purchased by you on the contract, and charges for excessive transfers within a calendar year if imposed by the variable annuity sponsor
- Certain retirement accounts - IRA and qualified retirement plan fees
- Certain trust accounts - Administrative servicing fees for trust accounts
- Alternative investments - hedge fund and managed future investment management fees, and managed futures investor servicing fees
- Sweep money market funds and cash balances – 12b-1 fees or other fee based on average daily deposit balances
- Other charges required by law and imposed by the executing broker/dealer or custodian

If your account invests in mutual funds or ETFs, you will pay the fund a management fee as a shareholder of the fund in addition to paying us an advisory fee for managing the assets. As some of the funds available in the Program may be purchased directly, you could avoid the second layer of fees by not using our management services and by making your own fund investment decisions.

Advisory representatives of FFA are also separately registered as licensed securities representatives of LPL. In this capacity, the advisory representatives can sell securities to clients and receive compensation in the form of commissions and 12b-1 fees or trails. However, such compensation will not be received in connection with investments made in Program accounts.

The Program may cost you more or less than if the assets were held in a commission-based brokerage account. In a brokerage account, you are charged commissions for each transaction, and we would have no duty to provide ongoing advice with respect to the account. If you plan to follow a buy and hold investment strategy for the account or do not wish to utilize our ongoing investment advice or management services, you should consider opening a commission based account at an outside brokerage firm.

Clients have the option to purchase the individual investment products available within a Program account through other brokers or agents that are not affiliated with FFA. However, the asset management services of FFA would not be available in such an arrangement.

You may terminate the agreement for services with us at any time with written notice. Upon termination, any prepaid, unearned fees will be refunded.



For additional information, refer to Item 12 – Brokerage Practices.

### **Optimum Market Portfolios**

The annual advisory fee for OMP is 1.25%, and is based on a percentage of the market value of your account. Fees are not negotiable; however, fees may be discounted for active duty military or reserves, non-profit organizations and employee family related accounts, at the discretion of FFA.

Advisory fees are billed quarterly in advance and calculated based on the account's market value on the last business day of the prior quarter. LPL, as the qualified custodian for the OMP account, is responsible for calculating and deducting all advisory fees from your account. The advisory fee is shared between FFA and its advisory representatives.

In addition to the advisory fee you pay to us for our services, you will pay confirmation charges for trade execution. These confirmation charges are paid to LPL and are set out in the OMP account agreement. FFA does not receive any portion of the confirmation charges. LPL may also charge other miscellaneous administrative and custodial-related fees and charges that may apply to an OMP account.

As the OMP program invests solely in mutual funds, you will pay the funds a management fee and other expenses as a shareholder of the fund in addition to paying an advisory fee to FFA and LPL for managing the assets. As the funds may be purchased directly, you could avoid the second layer of fees by not using our management services and by making your own investment decisions.

Advisory representatives of FFA are also separately registered as licensed securities representatives of LPL. In this capacity, the advisory representatives can sell securities to clients and receive compensation in the form of commissions and 12b-1 fees or trails. However, such compensation will not be received in connection with investments made in OMP program accounts.

The OMP program may cost you more or less than if the assets were held in a traditional brokerage account. In a brokerage account, you are charged commissions for each transaction, and we would have no duty to provide ongoing advice with respect to the account. If you plan to follow a buy and hold investment strategy for the account or do not wish to utilize ongoing investment advice or management services, you should consider establishing a commission based brokerage account at a different firm.

You may terminate the agreement for services with us at any time with written notice. Upon termination, any prepaid, unearned fees will be refunded.

For additional information, refer to Item 12 – Brokerage Practices and the OMP disclosure document and account agreement.

## **Model Wealth Portfolios**

The annual advisory fee for MWP is 1.25%, and is based on a percentage of the market value of your account. Fees are not negotiable; however, fees may be discounted for active duty military or reserves, non-profit organizations and employee family related accounts, at the discretion of FFA. The advisory fee is shared between FFA and its advisory representatives.

In addition to the annual advisory fee that you pay to FFA, you will also pay a Portfolio Strategist fee and an LPL Program fee. We do not receive any portion of the Portfolio Strategist fee or the LPL Program fee. The Portfolio Strategist fee currently ranges from 0.00% to 0.25%, and the amount of the fee is determined based on the Portfolio Strategist that you select. The LPL Program fee currently ranges from 0.08% to 0.58% and is determined based on the size of your MWP account and whether the model selected follows a strategic or tactical investment mandate. You should refer to the LPL MWP disclosure brochure for additional details regarding the Portfolio Strategist fee and the LPL Program fee.

Advisory fees are billed quarterly in advance and calculated based on the account's market value on the last business day of the prior quarter. LPL, as the qualified custodian for the MWP account, is responsible for calculating and deducting all advisory fees from your account. LPL may charge miscellaneous administrative and custodial-related fees and charges that may apply to an MWP account.

As the MWP program invests solely in mutual funds and ETFs, you will pay the fund a management fee and other expenses as a shareholder of the fund in addition to paying an advisory fee to FFA and LPL for managing the assets. As the funds may be purchased directly, you could avoid the second layer of fees by not using our management services and by making your own investment decisions.

Advisory representatives of FFA are also separately registered as licensed securities representatives of LPL. In this capacity, the advisory representatives can sell securities to clients and receive compensation in the form of commissions and 12b-1 fees or trails. However, such compensation will not be received in connection with investments made in MWP program accounts.

The MWP program may cost you more or less than if the assets were held in a traditional brokerage account. In a brokerage account, you are charged commissions for each transaction, and we would have no duty to provide ongoing advice with respect to the account. If you plan to follow a buy and hold investment strategy for the account or do not wish to utilize our ongoing investment advice or management services, you should consider opening a commission based account at an outside brokerage firm.

Clients have the option to purchase the individual investment products available within an MWP program account through other brokers or agents that are not affiliated with FFA. However, the investment advisory services of FFA would not be available in such an arrangement.

You may terminate the agreement for services with us at any time with written notice. Upon termination, any prepaid, unearned fees will be refunded.

For additional information, refer to Item 12 – Brokerage Practices and the MWP disclosure document and account agreement.

### **Retirement Plan Consulting Services**

Fees for services will be billed based on one or more of the following methods listed below and in the amount as agreed upon between FFA and the plan sponsor in the written consulting services agreement.

- Annual Flat Fee
- Annual Fee Based on a Percentage of Plan Assets
- Annual Tiered Fee Based on Percentage of Plan Assets
- One-Time Flat Rate Fee for Project Specific Work

The typical maximum flat rate fee per year is \$50,000 per plan. The typical maximum percentage based fee per year is 1.35% per plan. Fees are negotiable and the level of fees will be set based upon the scope, nature and complexity of the services selected by the plan sponsor, the number of participants in the plan, and the overall size of the plan. Dependent on these and/or other factors relating to the plan, the annual flat rate fee may be higher. Fees may be charged in advance or in arrears. Fees may be paid directly by the plan sponsor or out of plan assets by a service provider or other third party, as authorized by the plan sponsor. The fee is shared between FFA and its advisory representatives.

In addition, the plan sponsor may pay a transition expense fee for the first year after the plan transitions to a new platform/product provider. This fee is intended to cover the additional services (e.g., fund mapping, assistance with enrollment, additional education to plan committee members and participants, etc.) that FFA will provide as a result of a transition.

### **Retirement Asset Advisory Services**

The annual advisory fee is based on a percentage of the market value of your accounts, including cash holdings, according to the schedule below. In addition, multiple Retirement Asset Advisory Services accounts and asset management Program accounts for the same client or household (typically same decision maker) may be combined in order to reach the next level of advisory fee. Fees are not negotiable; however, fees may be discounted for active duty military or reserves, non-profit organizations and employee family related accounts, at the discretion of FFA.

Advisory fees are due quarterly in advance and calculated by FFA based on the account's market value on the last business day of the prior quarter as long as FFA receives automated downloads of the account's value from the account's custodian. In situations where FFA does not receive such automated download, advisory fees are calculated based on the account values reflected on the custodian's statement for the quarter end preceding the most recent quarter end. For example, fees calculated in April for the period April 1<sup>st</sup> through June 30<sup>th</sup>, would be based on account values as of December 31<sup>st</sup> if FFA does not receive automated downloads of account values.

Advisory Fee		Assets Under Management		
1.25%	on the first	\$ 500,000		
1.00%	on the amount from	\$ 500,001	to	\$ 1,000,000
0.75%	on the amount from	\$ 1,000,001	to	\$ 5,000,000
0.50%	on the amount from	\$ 5,000,001	to	\$10,000,000
0.45%	on the amount over	\$ 10,000,000		

Any written cancellation of the contract during the quarter by either party will result in a pro rata refund to the client of the unused portion of that quarter's fee.

### **Retirement Asset Modeling Services**

The fee schedule is a flat dollar figure based upon the scope of the work involved, is payable in advance each time the service is requested by the client, and is only refundable if the client cancels their request before services have been completed. Fees will fall into the following range:

<u>Number of Investment Choices In Retirement Plan</u>	<u>Advisory Fee</u>
0 – 5	\$100.00
6 – 10	\$250.00
11 +	\$450.00

### **Investment Account Advisory Services**

The fee is payable in quarterly installments, in advance, for the upcoming quarter, according to the table below. Fees are not negotiable between the client and FFA and will be as stated on the written investment advisory agreement. Fees may be discounted for active duty military or reserves, non-profit organizations and employee family related accounts, at the discretion of FFA.

Advisory fees are due quarterly in advance and calculated by FFA based on the account's market value on the last business day of the prior quarter as long as FFA receives automated downloads of the account's value from the account's custodian. In situations where FFA does not receive such automated download, advisory fees are calculated based on the account values reflected on the custodian's statement for the quarter end preceding the most recent quarter end. For example, fees calculated in April for the period April 1<sup>st</sup> through June 30<sup>th</sup>, would be based on account values as of December 31<sup>st</sup> if FFA does not receive automated downloads of account values.

Advisory Fee		Assets Under Management		
1.25%	on the first	\$ 500,000		
1.00%	on the amount from	\$ 500,001	to	\$ 1,000,000

0.75%	on the amount from	\$ 1,000,001	to	\$ 5,000,000
0.50%	on the amount from	\$ 5,000,001	to	\$10,000,000
0.45%	on the amount over	\$ 10,000,000		

Any written cancellation of the contract during the quarter by either party will result in a pro rata refund to the client of the unused portion of that quarter's fee.

### **Additional Information for Retirement Asset Advisory Services, Retirement Asset Modeling Services, and Investment Account Advisory Services**

The specific manner in which fees are charged by FFA is established in a client's written agreement with FFA. FFA will generally bill its fees on a quarterly basis. Clients are billed directly for fees. The advisory fee is shared between FFA and its advisory representatives. Advisory fees shall not be prorated for each capital contribution and withdrawal made during the applicable calendar quarter. Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

FFAs' fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus.

Such charges, fees and commissions are exclusive of and in addition to FFAs' fee, and FFA shall not receive any portion of these commissions, fees, and costs.

For additional information, refer to Item 12 – Brokerage Practices.

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

This Item is not applicable as FFA does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

### **Item 7 – Types of Clients**

FFA provides services to individuals, trusts, corporations, retirement plan sponsors, municipal pension plans, charitable institutions, foundations and endowments.

In general, individual clients interested in hiring FFA to provide investment advice typically must have a minimum of \$250,000 of investable assets for the household and retirement plans must have a minimum of \$500,000 in plan assets. Exceptions may be made by certain advisory representatives at the sole discretion of FFA.

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

FFA offers the investment advisory services described in this brochure through its advisory representatives. For more information about the individual advisory representative managing or handling your account, refer to the brochure supplement for the advisory representative, a copy of which you should have received along with this brochure.

Within a Program account, the FFA portfolio management department constructs portfolios using a diversified global asset allocation strategy driven by the unique objectives of each client. This strategy helps quantify expectations of risk and reward for the client. Our portfolio management department screens individual securities and predominantly institutional, no-load mutual funds for proper placement in each of the determined asset sectors within the portfolio. The portfolio is then monitored and stress-tested under a variety of possible economic conditions. We continue to re-allocate portfolios on a quarterly basis for variances from the model percentages to help keep the portfolio in line with objectives and stated risk/reward parameters. We may make further allocation adjustments if warranted based on transitions through the market and economic cycles, as well as based on considering the client's individual tax situation and potential capital gains and losses.

We typically manage Program accounts or otherwise provide investment advice focusing on one of the following investment objectives based on the client's goals and risk tolerance;

- income with capital preservation
- income with moderate growth
- growth with income
- growth
- aggressive growth

The initial allocation and rebalancing of assets to different mutual funds or other securities in a Program account will be made based on these overall objectives. In addition, within OMP or MWP, the allocation of assets to portfolios or portfolios and outside strategists, respectively, will be made based on these overall objectives.

We generally use the following types of investment vehicles within Program accounts:

- mutual funds (including institutional funds, international funds, emerging market funds, alternative asset funds, funds that short the market, foreign bond funds and high yield bond funds)
- ETFs
- variable annuity subaccounts
- alternative investments
- individual stocks
- options (including writing covered calls, purchasing calls and puts, and use of various protective option strategies including collars)

The particular investments selected for your Program account will depend upon your investment objective, level of risk tolerance, sensitivity to taxes, and other factors.

It is important to keep in mind that there is no specific approach to investing that guarantees success or positive returns. Investing in securities can involve risks and clients should be prepared to bear those risks when investing. The following list describes some of the risks associated with the types of investments that may be purchased for your account:

- Investing in international markets presents additional risks including currency fluctuations, the potential for diplomatic and political instability, regulatory and liquidity risks and foreign taxation among others. The risks of foreign investing are generally greater in emerging markets.
- High yield bonds carry greater risks than bonds rated as investment grade. For example, they are issued by organizations that do not qualify for an investment grade rating by one of the rating agencies because of the potential for higher default by the issuer. Another risk is that further financial difficulties by the issuer may result in a decrease in the market value, and this may make it impossible to liquidate the bond prior to maturity.
- Funds designed to short the market, or inverse funds, have a goal of providing the opposite or inverse of the return for the underlying index. Inverse funds may have higher expense ratios and be less tax-efficient than a traditional mutual fund or ETF. They may also be riskier. We may use inverse mutual funds or ETFs as a short term holding when deemed appropriate.
- ETFs are typically investment companies that are legally classified as open end mutual funds or UITs. However, they differ from traditional mutual funds, in particular, in that ETF shares are listed on a securities exchange. Shares can be bought and sold throughout the trading day like shares of other publicly-traded companies. Although many ETFs are registered as an investment company under the Investment Company Act of 1940 like traditional mutual funds, some ETFs, in particular those that invest in commodities, are not registered as an investment company.
- We may also purchase call options, which gives the right to purchase the underlying stock for your account at a specified price within a specified period of time if we deem it appropriate. You should be aware that the use of options involves additional risks. The risk of covered call options includes the possibility that the market will rise sharply and the investment upon which the covered call was placed will be called away. In this case you will no longer own this investment. The risk of purchasing put options is limited to the loss of the premium paid for the option unless the Program account exercises or sells the investment. The risk of purchasing call options is limited to the loss of the amount paid for the call option. You will be asked to authorize the use of options within a Program account by signing an option agreement and approval form with the custodian. Additional disclosures of risk will be made to you at that time.

We use a fundamental method for analyzing investment opportunities for Program accounts. Fundamental analysis means that the overall business is considered by reviewing a business' financial statements and financial health, its management and competitive advantages, and its competitors and markets. Of course, past performance does not guarantee future results.

We consider the overall economy, both domestically and globally, when selecting specific investments and making asset allocation decisions. We also consider current and recent market levels and volatility when making management decisions. We use a variety of sources of data to conduct our economic, investment and market analysis, such as financial newspapers and

magazines, economic and market research materials prepared by others, conference calls hosted by mutual funds, corporate rating services, annual reports, prospectuses, and company press releases.

We may also provide certain financial planning related services or analysis (e.g., retirement or estate planning, budget planning, tax planning, insurance needs analysis) to our existing investment advisory clients, depending upon the specific needs of the client. These services are included as part of our overall relationship with the client and assist us in better understanding the client's goals and objectives.

With respect to our Retirement Plan Consulting Services, we strive to recommend diversified investment alternatives that retirement plan sponsors may consider for investment or to make available to plan participants. If a retirement plan sponsor has engaged us for investment management services, we will strive to select diversified investment and/or model portfolio alternatives to be made available with the plan.

#### **Item 9 – Disciplinary Information**

Registered investment advisors are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of our advisory business or the integrity of our management. We have no information applicable to this Item.

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

FFA is only in the business of providing investment advice as described above. However, as also noted above, advisory representatives of FFA are registered representatives of LPL Financial, an SEC registered broker/dealer and member of the Financial Industry Regulatory Authority, and may have occasion to recommend non-managed brokerage accounts and, therefore, may receive commissions or other types of compensation for the sale of securities. The potential for the receipt of commissions may give the registered representative an incentive to recommend investment products based on the compensation received, rather than on the client's needs. However, your registered representative may only recommend securities that he or she believes are suitable for you. If you have any questions regarding the compensation to be received when recommending a security, you should ask your advisory representative. You are under no obligation to purchase investments through your advisory representative.

LPL's parent company, LPL Investment Holdings, Inc., is a publicly traded company with shares listed on The NASDAQ Global Select Market under the trading symbol "LPLA". Certain advisory representatives are shareholders and/or option holders of LPLA.

Advisory representatives are also licensed as independent insurance agents and appointed through various insurance companies to offer a variety of types of insurance depending upon the individual. The types of insurance that may be available include life insurance, long term care insurance, fixed annuities, health insurance and disability insurance. Independent insurance agents may receive commissions or other type of compensation for the sale of insurance. The potential for the receipt of commissions may give the insurance agent an incentive to recommend insurance products based on the compensation received, rather than on the client's needs.



However, your insurance agent may only recommend insurance that he or she believes is appropriate for you. If you have any questions regarding the compensation to be received when recommending insurance, you should ask your advisory representative. You are under no obligation to purchase insurance through your advisory representative.

Certain advisory representatives of FFA are also licensed as Certified Public Accountants (“CPA’s”) and provide accounting services that are separate and distinct from the services provided by FFA. This may present a conflict of interest to the extent that an advisory representative recommends clients engage a CPA for accounting services, which results in the receipt of compensation to the CPA. To address this conflict, we do not actively solicit advisory clients for these accounting services and FFA and its advisory representatives of FFA that are not CPA’s do not receive any compensation or benefit for clients of FFA that choose to hire the CPA for accounting services.

FFA has entered into a relationship with Cowden Associates, Inc. (“Cowden”). Cowden is an employee benefit firm that provides services such as actuarial, compensation and health related employee benefits. To the extent FFA believes that its clients would benefit from the services offered by Cowden, FFA has agreed to refer such clients to Cowden. As compensation for the referrals, FFA will receive payment from Cowden in the amount of 25% of the amount billed by Cowden to client for a period of one year. While FFA is under no obligation to refer any client to Cowden and will only do so if it is deemed to be in the client’s best interest, client should be aware that this relationship represents a potential conflict of interest in that FFA will receive compensation for the referral. Client should further be aware that FFA is restricted through the arrangement with Cowden from referring clients needing actuarial, compensation and health related employee benefits to any firm other than Cowden. Please note that Cowden may also refer clients to FFA through a solicitor arrangement as described in Item 14, Client Referrals and Other Compensation.

As discussed previously, certain advisory representatives of FFA are registered representatives of LPL. As a result of this relationship, LPL may have access to certain confidential information (for example, financial information, investment objectives, transactions and holdings) about FFA’s clients, even if the client does not establish any account through LPL. If you would like a copy of LPL’s privacy policy, please contact your FFA advisory representative to request a copy.

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

FFA has adopted a Code of Ethics which establishes standards of conduct for its supervised persons. The Code of Ethics includes general requirements that such supervised persons comply with their fiduciary obligations to clients and other applicable securities laws, and specific requirements relating to, among other things, personal trading, insider trading, conflicts of interest and confidentiality of client information. It requires supervised persons to report their personal securities transactions and holdings quarterly to FFA, and requires FFA to review those reports. Each supervised person receives a copy of the Code of Ethics and must acknowledge in writing having received the materials. Clients and prospective clients may obtain a copy of the Code of Ethics by contacting FFA.

It is our policy not to affect any principal trades for client accounts. Principal trades are generally defined as transactions where an advisor, acting for its own account, buys from or sells a security to an advisory client. It is also our policy not to cross trades between your account and the account of another client.

FFA and its advisory representatives may buy or sell securities for our personal accounts identical to those recommended to clients. This creates a potential conflict of interest. It is our policy that all persons associated with us in any manner must place the interests of clients ahead of their own when making personal investments. In addition, we require that client transactions be placed before our own transactions. We also monitor trading by our advisory representatives.

LPL's parent company, LPL Investment Holdings Inc., is a publicly traded company. FFA does not recommend or solicit orders of LPL Investment Holdings Inc. stock in Program accounts.

## **Item 12 – Brokerage Practices**

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FFA requires that clients direct LPL as the sole and exclusive broker/dealer to execute transactions for Program accounts. LPL is not paid a commission for executing transactions. Because advisory representatives of FFA are licensed with LPL, this presents a conflict of interest. Clients should understand that not all advisors require their clients to direct brokerage. By directing brokerage to LPL, clients may be unable to achieve the most favorable execution of client transactions. Therefore, directed brokerage may cost clients more money.

FFA may receive support services and/or products from LPL, which assist FFA to better monitor and service client accounts maintained at LPL. These support services and/or products may be received without cost, at a discount, and/or at another negotiated rate, and may include the following:

- investment-related research
- pricing information and market data
- software and other technology that provides access to client account data
- compliance and/or practice management-related publications
- consulting services
- attendance at conferences, meetings, and other educational and/or social events
- marketing support
- computer hardware and/or software
- other products used by FFA in furtherance of its investment advisory business operations

Clients do not pay more for services as a result of this arrangement. FFA makes no corresponding commitment to LPL or any other entity to invest any specific amount or percentage of a client's assets in any specific securities or programs as a result of this arrangement.

Advisory representatives of FFA are also securities representatives of LPL Financial, as previously described, and may receive commissions to the extent a client elects to purchase or sell securities that may be recommended. Clients are under no obligation to purchase or sell

securities through FFA advisory representatives; they may use brokers or agents that are not associated with FFA.

Due to the individual nature of our account management services, we do not typically aggregate transactions for a client with other client transactions. On an exception basis, we may aggregate transactions for a client with other clients to improve the quality of execution. When transactions are so aggregated, the actual prices applicable to the aggregated transactions will be averaged, and the client account will be deemed to have purchased or sold its proportionate share of the securities involved at the average price obtained. We may determine not to aggregate transactions, for example, based on the size of the trades, the number of client accounts, the timing of the trades, the liquidity of the securities, and the discretionary or non-discretionary nature of the trades. If we do not aggregate orders, some clients purchasing securities around the same time may receive a less favorable price than other clients. This means that this practice of not aggregating may cost clients more money.

Within Retirement Plan Consulting Services, FFA may assist with investment recommendations to the retirement plan sponsor. This could include research and recommendations, for consideration and selection by the plan sponsor, of specific investments to be held in the plan or, in the case of a participant-directed defined contribution plan, to be made available as an investment option under the plan. The plan sponsor is responsible for the selection of any vendor, broker/dealer or custodian for plan assets, and is responsible for placing any transactions deemed appropriate.

### **Item 13 – Review of Accounts**

The portfolio management department conducts a review of Program accounts on a quarterly basis to determine if rebalancing is warranted. In addition, advisory representatives conduct quarterly account reviews to help maintain consistency of the client's stated investment objective as well as other service related factors. Client account reviews may also be triggered in the event of a material change in the client's financial situation.

All Program accounts are also subjected to a risk based exception reporting system that flags accounts on a quarterly basis for criteria such as performance, trading activity and position concentration. The exception reporting identifies accounts where additional scrutiny or analysis by FFA may be appropriate.

During any month that there is activity in a Program account, OMP account or MWP account, you will receive a monthly account statement from LPL showing account activity as well as positions held in the account at month end. Additionally, you will receive a confirmation of each transaction that occurs unless the transaction is a result of a systematic purchase, redemption or exchange. You will also receive a detailed quarterly performance report prepared by LPL on behalf of FFA. All account data and statements are also available online through the LPL Account View portal.

For Retirement Plan Consulting Services, plan sponsors receive a quarterly report from FFA regarding information on plan holdings. The report may contain some or all of the following elements, among others, as agreed upon between the plan sponsor and FFA: investment

performance, changes in fund management or practices, benchmarking to a peer group and market indices, and potential concerns for plan holdings.

For Retirement Asset Advisory Services and Investment Account Advisory Services, you will receive a quarterly report from FFA that details your positions, performance and recommended asset allocation.

For Retirement Asset Modeling Services, asset allocation recommendations will be provided at the request of the client as discussed in Item 4 – Advisory Business.

#### **Item 14 – Client Referrals and Other Compensation**

FFA may from time to time compensate, either directly or indirectly, any person for client referrals. These individuals are referred to as solicitors and FFA pays them a portion of the advisory fee paid by the client. When a solicitor is used, the arrangement will be disclosed in writing to the client through a disclosure document signed by the client at the time the account is opened.

As a result of our relationship with LPL, we may receive stock options to purchase shares of LPL's parent company, and other things of value such as free or reduced-cost attendance at LPL's national sales conference or top producer forums and events. Such compensation may be based on overall business produced and/or on the amount of assets serviced through LPL. Thus, there is a financial incentive for us to recommend that you establish a Program account, OMP account, or MWP account so that we will be compensated. We take our responsibilities to clients very seriously and we will only recommend that clients hire us for management services if we believe it is appropriate and in the client's best interests.

FFA has received a repayable loan from LPL in order to assist FFA in its business development and expansion efforts. Because of this economic benefit, FFA has a conflict of interest in recommending to clients that they use LPL as a custodian. However, to the extent FFA recommends you use LPL for such services, it is because FFA believes that it is in your best interest to do so based on the quality and pricing of execution, benefits of an integrated platform for advisory and brokerage accounts, and other services provided by LPL.

#### **Item 15 – Custody**

Physical custody for funds and securities in all Program accounts, OMP accounts and MWP accounts is maintained by LPL, a qualified custodian. You will receive account statements from LPL directly at least quarterly. We encourage you to carefully review these statements upon receipt. In addition, LPL will provide you with quarterly performance reports on our behalf.

Custody for assets receiving services through Retirement Asset Advisory Services, Retirement Asset Modeling Services and Investment Account Advisory Services is maintained at a custodian selected either by the client or by the sponsor of the investment program through which the client is invested. You should receive statements directly from the account's custodian at least quarterly, and we encourage you to carefully review these statements upon receipt.

We may provide you with additional, customized reporting from time to time and upon request. This additional reporting does not take the place of the official statements that you receive from LPL or another custodian.

### **Item 16 – Investment Discretion**

Upon your written authorization in our investment advisory agreement, we will provide discretionary investment advisory services for your Program account. Our discretionary authority is limited only to affecting trades in your accounts; we will determine the type of securities and the amount of securities that can be bought or sold for your portfolio without obtaining your consent for each trade.

Within OMP, our discretionary authority is limited to selecting a portfolio for you based on your investment objective for the account. LPL is the party with discretion to rebalance your account as needed. Within MWP, our discretionary authority is limited to selecting one or more model portfolio of funds or third party investment strategist for your account. Again, LPL is the party with discretion to rebalance your account as needed. For further information about OMP or MWP, kindly refer to the disclosure brochure for the applicable program.

We do not exercise any discretionary authority when providing Retirement Plan Consulting Services, except where the plan sponsor has engaged us for investment manager services.

We do not exercise any investment discretion when providing services through Retirement Asset Advisory Services, Retirement Asset Modeling Services and Investment Account Advisory Services. We simply provide asset allocation recommendations, and the client is responsible for deciding whether or not to implement the recommendations.

We will not have access to your funds or securities with the exception of having advisory fees deducted from your account held at LPL and paid to us by LPL as the custodian. Any fee deduction will be done pursuant to your prior written authorization provided to LPL.

### **Item 17 – Voting Client Securities**

FFA does not have any authority to vote client securities or proxies on your behalf. The client retains the right to vote all proxies. Proxy information for any securities which are held in your accounts will be sent to you by the custodian of your funds and securities. We will not be providing you with this information. However, if you have any questions about a particular solicitation, you may contact us for general information.

### **Item 18 – Financial Information**

FFA is required to provide clients with certain information or disclosures about its financial condition. We have no financial commitment that impairs our ability to meet contractual or fiduciary commitments to clients, and we have not been the subject of a bankruptcy petition.