

# **retirement advisory services corp**

**SEC File Number: 801 – 57956**

## **ADV Part 2A, Appendix 1 Wrap Fee Program Brochure**



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March 28, 2017

This wrap fee program brochure provides information about the qualifications and business practices of retirement advisory services corp ("rascorp"). If you have any questions about the contents of this brochure, please contact us at (215) 628-8500. 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 rascorp also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

References herein to rascorp as a "registered investment adviser" or any reference to being "registered" does not imply a certain level of skill or training.

## **Item 2           Material Changes**

There have been no material changes to this Wrap Fee Program Brochure since the previous Annual Amendment filing on March 26, 2016.

**rascorp's Chief Compliance Officer, Patricia H. Sobel, remains available to address any questions that a client or prospective client may have regarding this Wrap Fee Program Brochure.**

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

- A. The rascorp Advisory Wrap Program (the “Program”) is an investment advisory program sponsored by rascorp, a comprehensive financial services firm founded in the early 1970s, which has been in business as an SEC registered investment adviser since September 2000.

Under the Program, rascorp is able to offer participants discretionary or non discretionary investment management services for a single specified annual Program fee, inclusive of trade execution, custody, reporting, and investment management fees. All prospective Program participants are encouraged to review and ask any questions about this Wrap Fee Program Brochure before choosing to participate in the Program.

Prior to receiving services through the Program, clients are required to enter into a written agreement with rascorp setting forth the relevant terms and conditions of the advisory relationship (the “Agreement”). Clients must also open a new securities brokerage account and complete a new account agreement with Royal Alliance Associates, Inc., an SEC registered broker-dealer and member of FINRA (“*Royal*”), or another broker-dealer approved by rascorp (collectively the “Financial Institutions”).

Under the Program, rascorp provides comprehensive investment management of clients’ assets through the Advisor Program (“AP”), which is made available through *Royal’s* Wealth Management Platform. AP affords rascorp access to various support functions with respect to risk tolerance assessment, efficient frontier plotting, fund profiling, performance data, portfolio optimization and re-balancing tools. At the onset of the Program, clients complete an investor profile describing their individual investment objectives, liquidity and cash flow needs, time horizon and risk tolerance, as well as any other factors pertinent to their specific financial situations. After an analysis of the relevant information using the tools offered through AP, rascorp assists its clients in developing an appropriate strategy for managing their assets.

The negotiable annual Program fee is based upon a percentage (%) of the total market value and type of assets placed under rascorp’s management, which generally varies between 25 and 150 basis points (0.25% – 1.50%), depending upon the amount of assets being managed and the types of investment strategies utilized. This fee is billed quarterly in advance and is based upon the market value of the assets being managed by rascorp under the Program on the last day of the previous quarter. rascorp shall price its investment management services based upon various objective and subjective factors. As a result, rascorp’s clients could pay diverse fees based upon the market value of their assets, the complexity of the engagement, and the level and scope of the overall investment advisory and/or consulting services to be rendered. As a result of these factors, the services to be provided by rascorp to any particular client could be available from other advisers at lower fees. All clients and prospective clients should be guided accordingly.

If assets in excess of \$10,000 are deposited into or withdrawn from an account after the inception of a billing period, the fee payable with respect to such assets is prorated accordingly. For the initial quarter of the Program, the fee is calculated on a pro rata basis. In the event the Agreement is terminated, the fee for the final quarter is prorated

through the effective date of the termination and the remaining balance is refunded to the client.

**Conflict of Interest.** When managing a client's account on a wrap fee basis, rascorp shall receive as payment for its investment advisory services, the balance of the wrap fee after all other costs incorporated into the wrap fee have been deducted. Participation in a wrap program may cost the client more or less than purchasing such services separately. Because wrap program transaction fees and/or commissions are being paid by rascorp to the account broker-dealer/custodian, rascorp could have an economic incentive to minimize the number of trades in the client's account creating a **conflict of interest. rascorp's Chief Compliance Officer, Patricia H. Sobel, remains available to address any questions that a client or prospective client may have regarding a wrap fee arrangement and the corresponding conflict of interest a wrap fee arrangement may create.**

- B. Participation in the Program may cost more or less than purchasing such services separately. The Program fee charged by rascorp for participation in the Program may be higher or lower than those charged by other sponsors of comparable wrap fee programs.

Depending upon the percentage wrap-fee charged by rascorp, the amount of portfolio activity in the client's account, and the value of custodial and other services provided, the wrap fee may or may not exceed the aggregate cost of such services if they were to be provided separately and/or if rascorp were to negotiate transaction fees and seek best price and execution of transactions for the client's account.

- C. Clients may incur certain charges imposed by third parties in addition to the Program fee. These additional charges may include charges imposed directly by a mutual fund or exchange-traded fund ("ETF"), as disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions.
- D. rascorp has no internal arrangements in place whereby persons recommending the Program are entitled to receive additional compensation as a result of clients' participation.

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

As a condition for participation in the Program, rascorp generally imposes a minimum portfolio size of \$100,000. rascorp may, in its sole discretion, may accept clients with smaller portfolios based upon certain criteria, such as anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client relationships, account retention, and pro bono activities. rascorp only accepts clients with less than the minimum portfolio size if, in the sole opinion of rascorp, the smaller portfolio size will not result in a substantial increase of investment risk beyond the client's identified risk tolerance. rascorp may aggregate the portfolios of family members to meet the minimum portfolio size.

rascorp provides its services to individuals, high net worth individuals, pension and profit sharing plans, trusts and estates.

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

- A. Under the Program, rascorp does not utilize independent portfolio managers that are not associated with rascorp. rascorp will provide the ongoing monitoring and review of account performance, asset allocation and client investment objectives. Therefore, conflicts of interest present in other wrap fee programs that make both affiliated and unaffiliated portfolio managers available do not exist in this Program.
- B. rascorp acts as the portfolio manager for the Program. Inasmuch as the execution costs for transactions effected in the client account will be paid by rascorp, a potential conflict of interest arises in that rascorp may have a disincentive to trade securities in the client account. In addition, the amount of compensation received by rascorp as a result of the client's participation in the Program may be more than what rascorp would receive if the client paid separately for investment advice, brokerage and other services.
- C. In addition to the Program, rascorp also provides financial planning and consulting services; retirement planning and consulting services; and investment management services on a discretionary or non-discretionary, non-wrap-fee basis as follows:

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

rascorp offers a variety of financial planning and consulting services addressing various investment and non-investment related matters, which include, without limitation:

- Insurance Planning
- Business Counseling
- Cash Flow Analysis
- Educational Funding
- Estate Planning
- Tax Strategy
- Retirement Planning

To the extent requested by a client, rascorp may recommend the services of other professionals, for implementation purposes, including certain of rascorp's *Supervised Persons* in their individual and separate capacities as registered representatives of a broker-dealer. The recommendation by rascorp or its *Supervised Persons* that a client purchase an investment product on a commission basis through rascorp's *Supervised Persons* presents a potential conflict of interest. Please refer to Item 5E below regarding the way in which rascorp mitigates this potential conflict of interest. The client is under no obligation to act upon any of the recommendations made by rascorp under a financial planning or consulting engagement or to engage the services of any professional recommended by rascorp and/or its *Supervised Persons*. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any such recommendations. Clients are advised that it remains their responsibility to promptly notify rascorp if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating, or revising rascorp's previous recommendations and/or services.

### **Retirement Plan Consulting Services**

rascorp provides retirement plan consulting services to employee benefit plans and their fiduciaries. These services are designed to assist plan sponsors in meeting their

management and fiduciary obligations under ERISA. Depending upon the specific engagement, these services may include any or all of the following:

- Strategic Planning and Investment Policy Development / Review
- Plan Fee and Cost Review
- Third-Party Service Provider Liaison.
- Assessment of Investments
- Participant Education and Communication

rascorp also offers the following additional services to retirement plan sponsors:

- Executive Benefits.
- Plan Conversion
- Merger and Acquisition Assistance
- Compliance Correction
- Coordination with Other Advisers

### **Investment Management Services**

rascorp manages its clients' investment portfolios on a discretionary or non-discretionary basis. rascorp primarily allocates clients' investment management assets among individual debt and equity securities, various no-load and load-waived mutual fund classes, ETFs and/or certain *Independent Managers* (as defined below), in accordance with its clients' investment objectives. rascorp also provides advice about any type of legacy positions or investments otherwise held in clients' portfolios.

In addition, rascorp renders investment management services to clients relative to their variable life/annuity products, individual employer-sponsored retirement plans, qualified tuition plans (i.e., 529 plans) and other products that are not held by the client's primary custodian. In so doing, rascorp either directs or recommends the allocation of client assets among the various investment options that are available with the product. Client assets are maintained at the specific insurance company or custodian designated by the product sponsor.

rascorp consults with clients on an initial and ongoing basis to determine risk tolerance, time horizon and other factors that may impact the clients' investment needs. rascorp tailors its advisory services to accommodate the individual needs of its clients and continuously seeks to ensure that its clients' portfolios are managed in a manner consistent with their individual circumstances.

Clients are advised to promptly notify rascorp if there are changes in their financial situation or if they wish to place any limitations on the management of their portfolios. Clients may impose reasonable restrictions or mandates on the management of their accounts if rascorp determines, in its sole discretion, the conditions will not materially impact the performance of a portfolio strategy or prove overly burdensome to rascorp's management efforts.

### **Independent Managers**

As described above, rascorp recommends that certain clients authorize the active discretionary management of a portion of their assets by and/or among certain independent investment managers ("*Independent Managers*") either directly or through a wrap-fee program.

rascorp evaluates various information about the *Independent Managers* in which it recommends or selects to manage its clients' portfolios. rascorp generally reviews a variety of different resources, which may include the *Independent Managers'* public disclosure documents, materials supplied by the *Independent Managers* themselves and other third-party analyses it believes are reputable. To the extent possible, rascorp seeks to assess the *Independent Managers'* investment strategies, past performance and risk results in relation to its clients' individual portfolio allocations and risk exposures. rascorp also takes into consideration each *Independent Manager's* management style, returns, reputation, financial strength, reporting, pricing and research capabilities, among other related factors.

rascorp generally monitors the performance of those accounts being managed by *Independent Managers* by reviewing the account statements and trade confirmations produced by the Financial Institutions, as well as other performance information furnished by the *Independent Managers* and/or other third-party service providers. rascorp does not verify the accuracy of any such performance information and does not ensure its compliance with presentation standards. Clients are advised that any performance information they receive from the *Independent Managers* may not be calculated on a uniform and consistent basis. Clients should compare all supplemental materials with the account statements they receive from their respective custodians.

The terms and conditions under which the client engages an *Independent Manager* are set forth in a separate written agreement between rascorp or the client and the designated *Independent Managers*. In addition to rascorp's ADV Part 2A and 2B, the client will also receive the designated *Independent Manager's* ADV Part 2A and 2B before or at the time the client signs such an agreement.

### **Independent Investment Programs**

If it is consistent with a client's investment objectives, rascorp may recommend that certain advisory clients participate in one or more independent investment programs (collectively "*Independent Investment Programs*").

Each Independent Investment Program is offered as either a wrap-fee program or an unbundled service arrangement. A wrap-fee program refers to an arrangement under which clients receive investment advisory services (which may include portfolio management or advice concerning the selection of other investment advisers) and the execution of client transactions for a specified fee or fees not based upon transactions in their accounts. Before receiving services through a wrap-fee program, clients are required to execute a separate agreement with the sponsor and broker-dealer under the wrap-fee program, as well as an *Agreement* with rascorp.

### **VISION2020 Wealth Management Platform – Model Portfolios Program**

rascorp advises certain clients to participate in the VISION2020 Wealth Management Platform - Model Portfolios Program (the "*Model Program*"), a wrap-fee program sponsored by VISION2020 Wealth Management Corp. ("*VISION2020*"), an SEC registered investment adviser. *VISION2020* is an affiliate of *Royal*, which serves as rascorp's primary custodian for investment management accounts.

The *Model Program* offers clients managed asset allocation models ("*Asset Allocation Models*") of mutual funds or *ETFs* diversified across various investment styles and strategies. The *Asset Allocation Models* are constructed by managers ("*Program*

*Managers*”), including, but not limited to, Russell Investment Management Company, Avatar Associates and Morningstar Associates, LLC.

Based upon the risk tolerance of each client, the *Model Program* utilizes a system that selects a specific Asset Allocation Model which may contain either 1) a combination of mutual funds or 2) a combination of *ETFs*, depending on which Program Manager is used. With the client’s assistance, rascorp determines initial and ongoing suitability of the Asset Allocation Model selected. After such determination is made, rascorp, with the assistance of *VISION2020*, opens a *Model Program* account and client assets are invested in the specific investments contained within the recommended Asset Allocation Model. Clients have the opportunity to place reasonable restrictions on investments held within the *Model Program* account.

For further *Model Program* details, including a full list of *Program Managers*, please see the *Model Program* Wrap Fee Program Brochure. This brochure is provided by rascorp to clients prior to or concurrent with their enrollment in the *Model Program*.

#### **VISION2020 Wealth Management Platform – Advisor Managed Portfolios**

rascorp also recommends that certain clients participate in the *VISION2020* Wealth Management Platform – Advisor Managed Portfolios (the “*AMP Program*”), which offers both wrap-fee accounts and unbundled, non-wrap-fee accounts. The *AMP Program* provides comprehensive investment management of clients’ assets through the application of asset allocation planning software as well as the provision of execution, clearing and custodial services through Pershing, LLC (“*Pershing*”).

The *AMP Program* provides risk tolerance assessment, efficient frontier plotting, fund profiling and performance data, and portfolio optimization and re-balancing tools. Utilizing these tools, and based on discussions with rascorp regarding, among other things, investment objective, risk tolerance, investment time horizon, account restrictions, and overall financial situation, rascorp constructs a portfolio of investments for the client. This portfolio may consist of mutual funds, *ETFs*, equities, options, debt securities, variable life, variable annuity sub-accounts (certain restrictions may apply) and other investments.

Each portfolio is designed to meet the client’s individual needs, stated goals and objectives. Additionally, clients have the opportunity to place reasonable restrictions on the types of investments to be held in the portfolio.

*Royal* sponsors the *AMP Program*. For further details about the *AMP Program*, please refer to the *AMP Program* Wrap Fee Program Brochure.

#### **VISION2020 Wealth Management Platform – SMA and UMA Account Program**

Additionally, rascorp recommends that certain clients receive advisory services through the *Vision2020* Wealth Management Platform – SMA and UMA Account Program (“*SMA/UMA Program*”).

Through the *SMA/UMA Program*, rascorp offers clients the opportunity to invest assets across multiple investment strategies and asset classes by implementing an asset allocation strategy. The *SMA/UMA Program* is a wrap account program that offers these advisory services along with brokerage and custodial services for a single, asset-based, advisory fee.



In the *SMA/UMA Program*, rascorp presents clients with an asset allocation model consisting of: 1) third party money managers who manage a client's *SMA/UMA Program* account according to a particular equity or fixed income model or strategy, or 2) no-load mutual funds, or 3) *ETFs*, or 4) any combination thereof. These investments are managed according to the selected asset allocation model. The investments are held within a separately managed account or a series of separately managed accounts (collectively, "*SMA Account*") or in one, unified managed account ("*UMA Account*").

rascorp suggests the asset allocation model (discussed in the preceding paragraph) based rascorp's discussion with the client regarding among other things, investment objective, risk tolerance, investment time horizon, account restrictions, and overall financial situation. In addition, clients have the opportunity to place reasonable restrictions on investments held within their *SMA/UMA Program* accounts.

For further *SMA/UMA Program* details please see the Wealth Management Account Program Wrap Fee Program Brochure, which rascorp provides to clients prior to or concurrent with their enrollment in the *SMA/UMA Program*.

### **Miscellaneous Disclosures**

#### **Wrap-Fee Programs**

Participation in a wrap-fee program may cost more or less than purchasing such services separately. The annual wrap-fee charged by rascorp for participation in any wrap-fee program may be higher or lower than those charged by other sponsors of comparable wrap fee programs.

#### **Third Party Administration Services**

Pension & Estate Planners, Inc. ("*PEP*"), services the pension and consulting needs of the small business community. *PEP* was previously the pension administration division of rascorp. *PEP* is no longer a division of rascorp, but rather, a separate corporation under common control with rascorp. *PEP* continues to offer individualized qualified plan consulting for each client, working with their advisors in an effort to help increase their tax advantages and meet their retirement planning goals. *PEP* engages an Enrolled Actuary for Defined Benefit and Cash Balance Plans, as well as an attorney specializing in ERISA for those challenging plan problems. *PEP's* partnering with these vendors and advisors assist rascorp in its pursuit to provide advanced plan design, accuracy and timely reporting at a reasonable cost.

Please note: the recommendation by rascorp or its representatives that its clients seek services from *PEP* presents a conflict of interest, because rascorp or its representatives would have the incentive to make such a recommendation based upon fees to be collected by *PEP*, rather than a client's particular need. Clients are therefore reminded that they may seek pension administration services from other, non-affiliated entities.

#### **Non-Investment Consulting/Implementation Services**

To the extent requested by the client, rascorp *may* provide consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. Neither rascorp, nor any of its representatives, serve as an attorney or an accountant and no portion of rascorp's services should be construed as same. To the extent requested by a client, rascorp may recommend the services of other professionals for

certain non-investment implementation purposes (i.e. attorneys, accountants, insurance, etc.), including rascorp's representatives in their separate and individual capacities as registered representatives of a broker dealer as discussed in Item 5E and 10D below. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from rascorp. If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional.

### **Non-Discretionary Service Limitations**

Clients that determine to engage rascorp on a non-discretionary investment advisory basis must be willing to accept that rascorp cannot effect any account transactions without obtaining prior consent to any such transaction(s) from the client. Thus, in the event that rascorp would like to make a transaction for a client's account (including in the event of an individual holding or general market correction), and the client is unavailable, rascorp will be unable to effect the account transaction(s) (as it would for its discretionary clients) without first obtaining the client's consent.

### **Client Obligations**

In performing its services, rascorp shall not be required to verify any information received from the client or from the client's other professionals (e.g., attorney, accountant, etc.), and is expressly authorized to rely thereon. Moreover, each client is advised that it remains his/her/its responsibility to promptly notify rascorp if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/ evaluating/ revising rascorp's previous recommendations and/or services.

### **Disclosure Statement**

A copy of rascorp's written Brochure as set forth on Part 2A, Part 2A Appendix 1, and Part 2B of Form ADV shall be provided to each client prior to, or contemporaneously with, the execution of the applicable *Agreement*.

### **Retirement Plan Rollovers-No Obligation/Conflict of Interest**

A client or prospective client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted, (iii) roll over to an Individual Retirement Account ("IRA"), or (iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). If rascorp recommends that a client roll over their retirement plan assets into an account to be managed by rascorp, such a recommendation creates a conflict of interest if rascorp will earn an advisory fee on the rolled over assets. **No client is under any obligation to roll over retirement plan assets to an account managed by rascorp. rascorp's Chief Compliance Officer, Patricia H. Sobel, remains available to address any questions that a client or prospective client may have regarding the potential for conflict of interest presented by such rollover recommendation.**

### **Use of Mutual Funds**

While rascorp may recommend allocating investment assets to mutual funds that are not available directly to the public, rascorp may also recommend that clients allocate investment assets to publically-available mutual funds that he/she/it could obtain without

engaging Rascorp as an investment advisor. However, if a client or prospective client determines to allocate investment assets to publically-available mutual funds without engaging Rascorp as an investment advisor, he/she/it would not receive the benefit of Rascorp's initial and ongoing investment advisory services.

### **MoneyGuidePro Platform**

rascorp may provide its clients with access to an online platform hosted by "MoneyGuidePro" ("MGP"). The MGP platform could allow a client to view his/her/its complete asset allocation, including those assets that rascorp does not manage (the "Excluded Assets"). rascorp shall not be responsible for the investment performance of the Excluded Assets. Rather, the client and/or their advisor(s) that maintain management authority for the Excluded Assets shall be exclusively responsible for such investment performance. The client may engage rascorp to manage some or all of the Excluded Assets pursuant to the terms and conditions of an *Agreement* between rascorp and the client. In addition, rascorp shall not be responsible for any adverse results a client may experience if the client engages in financial planning or other functions available on the MGP platform without rascorp's assistance or oversight.

### **Fee Differentials**

As indicated below, rascorp shall price its investment management services based upon various objective and subjective factors. As a result, racorp's clients could pay diverse fees based upon the market value of their assets, the complexity of the engagement, and the level and scope of the overall investment advisory and/or consulting services to be rendered. As a result of these factors, the services to be provided by rascorp to any particular client could be available from other advisers at lower fees. All clients and prospective clients should be guided accordingly.

For each of the above services, rascorp offers customized advisory programs designed with the goal of helping clients achieve their specific financial goals. Before providing investment advisory services, an investment adviser representative will ascertain each client's investment objective(s). Thereafter, rascorp will allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). The client may, at anytime, impose reasonable restrictions, in writing, on rascorp's services

rascorp is the sponsor and portfolio manager to the Program. Under the Program, rascorp manages clients' investment portfolios on a discretionary or non-discretionary basis. rascorp manages accounts through the Program in substantially the same manner as those managed under arrangements where clients pay separately for advisory and brokerage services. A complete description of the Program is contained in rascorp's Wrap Fee Program Brochure, which appears as Part 2A Appendix 1 of rascorp's Form ADV. Clients who engage rascorp to provide services through the Program are furnished with the requisite firm disclosure documents in accordance with Rule 204-3 of the Investment Advisers Act of 1940

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

rascorp does not provide any services for a performance-based fee (i.e., a fee based on a share of capital gains or capital appreciation of a client's assets).

### **Methods of Analysis**

rascorp employs a combination of largely fundamental and technical methods of analysis when assessing investment opportunities.

Fundamental analysis involves an evaluation of an issuer's fundamental financial condition and competitive position. rascorp generally analyzes the financial condition, capabilities of management, earnings capacity, new products and services, as well as the company's markets and position amongst its industry competitors in order to determine the recommendations made to clients. A substantial risk in relying upon fundamental analysis is that while the overall health and position of a company may be good, market conditions may negatively impact the security.

Technical analysis involves the examination of past market data rather than specific company information in determining the recommendations made to clients. Technical analysis may involve the use of mathematical based indicators and charts, such as moving averages and price correlations, to identify market patterns and trends which may be based on investor sentiment rather than the fundamentals of the company. A substantial risk in relying upon technical analysis is that spotting historical trends may not help to predict such trends in the future. Even if the trend will eventually reoccur, there is no guarantee that rascorp will be able to accurately predict such a reoccurrence.

### **Risk of Loss**

Investing in securities involves risk of loss that clients should be prepared to bear. Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by rascorp) will be profitable or equal any specific performance level(s). As to each type of investment recommended by rascorp, the particular risks are as follows:

### **Mutual Funds and Exchange Traded Funds (ETFs)**

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

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

Shares of *ETFs* are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, *ETF* shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed-based *ETFs* and more frequently for actively managed *ETFs*. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no

guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 50,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

### **Market Risks**

The profitability of a significant portion of rascorp's recommendations may depend to a great extent upon correctly assessing the future course of price movements of stocks and bonds. There can be no assurance that rascorp will be able to predict those price movements accurately.

### **Use of Independent Managers**

rascorp may recommend the use of *Independent Managers* for certain clients. rascorp will continue to do ongoing due diligence of such managers, but such recommendations rely, to a great extent, on the *Independent Managers* ability to successfully implement their investment strategy. In addition, rascorp does not have the ability to supervise the *Independent Managers* on a day-to-day basis other than as previously described in above.

### **Investment Strategies**

rascorp selects securities based upon each client's individual asset allocation, risk tolerance and investment objectives. As referenced above, rascorp generally utilizes a combination of mutual funds, ETFs, bonds, bond funds, individual equities, cash equivalents and *Independent Managers*. Relying upon both fundamental and technical indicators, rascorp considers factors such as fund management, underlying expenses, performance history, potential tax implications and fund styles, as well as current economic and market conditions. When assessing fixed income investments, rascorp examines factors such as bond ratings, tax preferences, current prices, yield-to-maturity and time-to-maturity, among others. Depending upon portfolio exposure, rascorp also utilizes cash deposits and corporate, municipal and agency bonds.

### **Voting Client Securities**

rascorp does not vote client proxies. Clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets.

Clients will receive their proxies or other solicitations directly from their custodian. Clients may contact rascorp to discuss any questions they may have with a particular solicitation.

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

Because only representatives of rascorp serve as portfolio managers, those representatives or their assistants are responsible for gathering all information provided by clients. rascorp's representatives will interview and work with clients to gather all information needed relative to their investment objectives and needs in order to provide management services through Program. Clients are reminded to contact their

representative whenever there are changes to their financial situation that will impact or materially influence the way rascorp manages accounts.

Finally, certain other *Independent Managers* recommended by rascorp may also impose more restrictive account requirements and varying billing practices than those of rascorp described above. In such instances, rascorp may alter its corresponding account requirements and/or billing practices to accommodate those of the *Independent Managers*.

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

Because only rascorp representatives serve as portfolio managers, there are no restrictions placed on clients' ability to contact and consult with their portfolio managers. It is the policy of rascorp to provide an "open channel" of communication between representatives and their clients. Clients are encouraged to contact their representative whenever they have questions about the management of their account.

## **Item 9            Additional Information**

A.

### **Disciplinary Information**

rascorp has not been involved in any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of management.

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

Certain of the rascorp's *Supervised Persons* are registered representatives of *Royal* and may provide clients with securities brokerage services under a separate commission-based arrangement.

Neither rascorp, nor its *Supervised Persons* are registered or have an application pending to register as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.

A number of rascorp's *Supervised Persons* are dually registered as registered representatives of *Royal*, which is also an SEC registered investment adviser. Clients can choose to engage these *Supervised Persons*, in their individual capacities, to effect securities brokerage transactions on a commission basis.

### **Conflict of Interest:**

The recommendation that a client purchase a commission product from *Royal* presents a ***conflict of interest***, as the receipt of commissions may provide an incentive to recommend investment products based on commissions to be received, rather than on a particular client's need. No client is under any obligation to purchase any commission products from rascorp's representatives. **rascorp's Chief Compliance Officer, Patricia H. Sobel remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**

### **Licensed Insurance Agency/Agents**

rascorp is a separately-licensed insurance agency. In addition, certain of rascorp's *Supervised Persons* are, in their individual capacities, also licensed insurance agents of

rascorp who may recommend, on a fully-disclosed commission basis, the purchase of certain insurance products.

**Conflict of Interest:**

The recommendation that a client purchase an insurance product from rascorp's *Supervised Persons* presents a **conflict of interest**, as the receipt of commissions may provide an incentive to recommend insurance products based on commissions to be received, rather than on a particular client's need. No client is under any obligation to purchase any commission products from rascorp's representatives.

**rascorp's Chief Compliance Officer, Patricia H. Sobel remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**

B.

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

rascorp has adopted a code of ethics that sets forth the standards of conduct expected of its associated persons and requires compliance with applicable securities laws ("Code of Ethics"). In accordance with Section 204A of the Investment Advisers Act of 1940 (the "Advisers Act"), its Code of Ethics contains written policies reasonably designed to prevent the unlawful use of material non-public information by rascorp or any of its associated persons.

Neither rascorp nor any related person of rascorp recommends, buys, or sells for client accounts, securities in which rascorp or any related person of rascorp has a material financial interest. rascorp and/or representatives of rascorp may buy and sell securities that are also recommended to clients. Therefore, the Code of Ethics requires that certain of rascorp's personnel (called "Access Persons") report their personal securities holdings and transactions and obtain pre-approval of certain investments such as initial public offerings and limited offerings.

When rascorp is purchasing or considering for purchase any security on behalf of a client, no Access Person may effect a transaction in that security prior to the completion of the purchase or until a decision has been made not to purchase such security. Similarly, when rascorp is selling or considering the sale of any security on behalf of a client, no Access Person may effect a transaction in that security prior to the completion of the sale or until a decision has been made not to sell such security. These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

Unless specifically permitted in rascorp's Code of Ethics, none of rascorp's Access Persons may effect for themselves or for their immediate family (i.e., spouse, minor children, and adults living in the same household as the Access Person) any transactions in a security which is being actively purchased or sold, or is being considered for purchase or sale, on behalf of any of rascorp's clients. Clients and prospective clients may contact rascorp to request a copy of its Code of Ethics.

### **Review of Accounts**

rascorp monitors the portfolios of its investment management clients as part of an ongoing process while regular account reviews are conducted on at least a quarterly basis.

For those clients to whom rascorp provides financial planning and/or consulting services, reviews are conducted on an “as needed” basis. Such reviews are conducted by one or more of rascorp’s investment adviser representatives. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with rascorp and to keep rascorp informed of any changes thereto. rascorp contacts ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client’s financial situation and/or investment objectives.

Unless otherwise agreed upon, clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer or custodian for the client accounts. Those clients to whom rascorp provides investment management services may also receive reports from rascorp that may include such relevant account and/or market-related information such as an inventory of account holdings and account performance from time to time. Clients should compare the account statements they receive from their custodian with those they receive from rascorp.

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

As referenced in ADV Part 2A, Item 12, rascorp may receive economic benefits from *Royal* including support services and/or products without cost (and/or at a discount).

rascorp’s clients do not pay more for investment transactions effected and/or assets maintained at *Royal* as a result of this arrangement. There is no corresponding commitment made by rascorp to *Royal* or any other entity to invest any specific amount or percentage of client assets in any specific investment products or effectuate a specific number of client transactions as result of the above arrangement.

**rascorp’s Chief Compliance Officer, Patricia H. Sobel, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest any such arrangement may create.**

If a client is introduced to rascorp by either an unaffiliated or an affiliated solicitor, rascorp may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, and any corresponding state securities law requirements. Any such referral fee shall be paid solely from rascorp’s investment management fee, and shall not result in any additional charge to the client. If the client is introduced to rascorp by an unaffiliated solicitor, the solicitor, at the time of the solicitation, shall disclose the nature of his/her/its solicitor relationship, and shall provide each prospective client with a copy of rascorp’s written Brochure with a copy of the written disclosure statement from the solicitor to the client disclosing the terms of the solicitation arrangement between rascorp and the solicitor, including the compensation to be received by the solicitor from rascorp



**Financial Information**

rascorp does not solicit fees of more than \$1,200 per client, six months or more in advance.

rascorp is unaware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments relating to its discretionary authority over certain client accounts.

rascorp has not been the subject of a bankruptcy petition.

**ANY QUESTIONS: rascorp's Chief Compliance Officer, Patricia H. Sobel, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.**