



# Financial Advisory Service, Inc.

## Disclosure Brochure

Form ADV, Part 2A

March 31, 2017

4747 West 135th Street, Suite 100  
Leawood, Kansas 66224  
(913) 239-2300  
[www.faskc.com](http://www.faskc.com)

# Financial Advisory Service, Inc.

4747 West 135<sup>th</sup> Street, Suite 100,  
Leawood, Kansas 66224  
913-239-2300  
[www.faskc.com](http://www.faskc.com)

This Brochure (Part 2A of Form ADV) provides information about the qualifications and business practices of Financial Advisory Service, Inc. ("Financial Advisory Service"). If you have any questions about the contents of this Brochure, please contact us at 913-239-2300 or at [www.faskc.com](http://www.faskc.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Financial Advisory Service is an investment adviser registered with the United States Securities and Exchange Commission ("SEC"). Registration of an investment adviser does not imply any level of skill or training. The oral and written communications of an adviser provide you with information you may use to help you determine whether or not to hire or retain an adviser.

Additional information about Financial Advisory Service also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 109796.

## **Item 2 – MATERIAL CHANGES**

---

There are no material changes incorporated since our last filing of this document dated March 29, 2016, on the SEC's public disclosure website (IAPD) [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). We may, at any time, update this Brochure and either send you a copy or offer to send you a copy.

Currently our Brochure may be requested by contacting Carol D. Sloan, Chief Compliance Officer, at 913-239-2300 or by email: [sloanc@faskc.com](mailto:sloanc@faskc.com).

Additional information about Financial Advisory Service is also available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about any persons affiliated with Financial Advisory Service who are registered, or are required to be registered, as investment adviser representatives.

### ***Item 3 – TABLE OF CONTENTS***

---

<i>Item 4 – ADVISORY BUSINESS .....</i>	<i>5</i>
<i>Item 5 – FEES AND COMPENSATION.....</i>	<i>10</i>
<i>Item 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT .....</i>	<i>13</i>
<i>Item 7 – TYPES OF CLIENTS.....</i>	<i>13</i>
<i>Item 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS .....</i>	<i>14</i>
<i>Item 9 – DISCIPLINARY INFORMATION.....</i>	<i>15</i>
<i>Item 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS.....</i>	<i>15</i>
<i>Item 11 – CODE OF ETHICS .....</i>	<i>17</i>
<i>Item 12 – BROKERAGE PRACTICES.....</i>	<i>19</i>
<i>Item 13 – REVIEW OF ACCOUNTS.....</i>	<i>23</i>
<i>Item 14 – CLIENT REFERRALS AND OTHER COMPENSATION.....</i>	<i>24</i>
<i>Item 15 – CUSTODY.....</i>	<i>28</i>
<i>Item 16 – INVESTMENT DISCRETION.....</i>	<i>28</i>
<i>Item 17 – VOTING CLIENT SECURITIES.....</i>	<i>29</i>
<i>Item 18 – FINANCIAL INFORMATION.....</i>	<i>29</i>
<i>Item 19 – REQUIREMENTS FOR STATE-REGISTERED ADVISERS.....</i>	<i>29</i>
<b>Financial Advisory Service <i>PRIVACY POLICY</i>.....</b>	<b><i>last page</i></b>

#### **Item 4 – ADVISORY BUSINESS**

---

Financial Advisory Service was founded by Max W. Greer, Jr., in 1979 and was registered with the SEC as a Registered Investment Adviser in 1983. Mr. Greer is President of the firm and is actively involved in its operation. Our principal place of business is located in the State of Kansas and Financial Advisory Service is an S-Corp formed under the laws of the State of Kansas. No shareholder directly or indirectly owns more than 25% of the firm.

**Assets Under Our Management** - As of March 17, 2017, we manage \$1,070,328,516 of client assets on a discretionary basis and \$46,288,758 of client assets on a non-discretionary basis for a total of \$1,116,617,274 in assets under management.

#### **Types of Services We Provide**

##### **1. General Asset Management:**

We provide asset management services for your individual, estate, trust, business entity, IRA and other qualified retirement plan investment accounts as you may choose. We can provide continuous advice to you regarding your investment securities based upon your individual needs.

Through personal discussions with you and/or with an online profile, we assist you in establishing your goals and objectives based upon your particular circumstances. Financial Advisory Service determines your personal investment strategy and then creates and manages an investment portfolio consisting of one or more Financial Advisory Service accounts ("Investment Portfolio") based on that strategy.

During our data-gathering process we determine your individual objectives, time horizons, risk tolerance and liquidity needs. As appropriate, we also review and discuss your prior investment history, as well as family composition and background. Financial Advisory Service offers a menu of several types of asset allocations for your Investment Portfolio managed for you as determined by your risk tolerance and time horizon.

We primarily manage your Investment Portfolio on a "discretionary" basis although we may accept non-discretionary accounts for which you direct the trading and/or securities contained in the account.

Discretionary management is an arrangement in which we, as your investment manager, make the buy/sell decisions on your assets and assets selection without checking with you for every transaction. However, we must operate within the agreed upon limits to achieve your stated investment objectives. Non-discretionary management is an arrangement where you direct us to make the buy/sell decisions for your Financial Advisory Service Investment Portfolio.

The custody of your managed assets is generally held in institutional accounts under our master agreements with qualified custodians such as Charles Schwab, Scottrade, Fidelity or T.D. Ameritrade. We may manage some of your assets by using (1) an account aggregator such as a system called "ByAllAccounts" or (2) a corporate trustee having custody of trust assets for which you are a grantor, account owner or beneficiary. We do not accept physical custody of your assets. These custodians provide securities trading platforms and the electronic reporting and support we need to prepare your quarterly management reports.

Financial Advisory Service will not have authority to withdraw money from your Investment Portfolio except for payment of our asset management fees, if you so authorize.

Management of your Investment Portfolio is guided by your stated objectives which include:

- Capital Preservation – You are seeking preservation of your capital and to a lesser extent, having income available for distribution to you;
- Balanced Income – You are more focused on current income than capital appreciation;
- Balanced – You are equally focused on a moderate amount of current income and a moderate amount of capital appreciation;
- Balanced Growth – You are more focused on capital appreciation with a secondary focus on generating current income;
- Growth – You are seeking capital appreciation, current income is not a concern.

You may request reasonable restrictions on your Investment Portfolio investing in certain securities, types of securities, or industry sectors or ask us to retain certain securities as you direct, and we will try to accommodate those requests.

Our investment advice is not limited to any particular or specific product or service offered by any particular broker-dealer, bank, corporate trustee or insurance company and will generally include advice regarding the following investments:

- Exchange-listed securities including “ETFs”
- Securities traded over-the-counter
- Warrants
- Corporate debt securities (other than commercial paper)
- Commercial paper
- Certificates of deposit
- Municipal securities
- Variable life insurance
- Variable annuities
- Mutual fund shares
- United States governmental securities
- Municipal securities
- Options contracts on securities
- Other

Because some types of investments involve additional risk, they will only be implemented or recommended when consistent with your stated investment objectives, time horizon, and tolerance for risk, liquidity and suitability.

## **2. Schwab Institutional Intelligent Portfolios™ Asset Management:**

We make available an alternative means of portfolio management services through **Schwab Institutional Intelligent Portfolios™** (“Schwab IIP”), an automated, online investment management platform for use by independent investment advisors and sponsored by *Schwab Wealth Investment Advisory, Inc.* (“SWIA”).

Through Schwab IIP, Financial Advisory Service lets clients select a range of investment strategies we have constructed and manage, each consisting of a portfolio of exchange traded funds (“ETFs”) exclusively, and a cash allocation. You may instruct us to exclude up to three ETFs from your selected Schwab IIP portfolio.

Generally, we impose a household minimum of \$50,000 of combined account values to enroll in Schwab IIP. Your Schwab IIP portfolio is held in a brokerage account opened by you electronically at SWIA’s affiliate, Charles Schwab & Co., Inc. (“CS&Co”). We will assist you in this process.

Financial Advisory Service is independent of and not owned by, affiliated with, sponsored or supervised by SWIA, CS&Co or their affiliates (together, “Schwab”). Schwab IIP is described in the Schwab Wealth Investment Advisory, Inc., Institutional Intelligent Portfolios™ Disclosure Brochure (“Schwab IIP Disclosure Brochure”), which is delivered to you by SWIA during the electronic enrollment process.

Financial Advisory Service, and not Schwab, is your investment adviser and your primary point of contact with respect to Schwab IIP. We are solely responsible for (1) helping you determine the appropriateness of Schwab IIP for you, (2) suggesting a suitable investment strategy and portfolio for your investment needs and goals based upon your investment objectives and risk tolerance, and (3) managing that portfolio on an ongoing basis. SWIA’s role is limited to delivering the Schwab IIP Disclosure Brochure to you and administering Schwab IIP so it operates as described in the brochure.

Financial Advisory Service has contracted with SWIA to provide us with the technology platform and related trading and account management services for Schwab IIP. This platform enables us to make Schwab IIP available to you online and includes a system that automates certain key parts of our investment process (“System”). The System includes an “online” questionnaire that lets you select your investment objectives and risk tolerance for Schwab IIP enabling you to select an appropriate investment strategy and portfolio.

You should note we will suggest a portfolio via the System in response to your answers to the online questionnaire. You may then indicate an interest in a portfolio one level less or more conservative or aggressive than the suggested portfolio, but you make the final decision and select a portfolio based on all information we have about you. The System also includes an automated investment engine through which we can help manage your portfolio on an ongoing basis through automatic rebalancing and tax-loss harvesting for non-taxable qualified accounts (if you are eligible and elect to do so).

You do not pay fees to SWIA in connection with Schwab IIP but we charge you an asset management fee for our services as described in Item 5.2 – *Fees and Compensation*. Our fees are not set or supervised by Schwab. You do not pay brokerage commissions or any other fees to CS&Co as part of Schwab IIP. Schwab does receive other revenues in connection with Schwab IIP, as described in the Schwab IIP Disclosure Brochure made available to you when you complete your online application for Schwab IIP.

Financial Advisory Service does not pay SWIA fees for services through Schwab IIP so long as we maintain \$100 million in client assets in accounts at CS&Co not enrolled in Schwab IIP. If we do not meet this condition, we pay SWIA an annual fee of 0.10% (10 basis points) on the value of our clients’ assets in Schwab IIP. This fee arrangement gives us an incentive to recommend or require our clients with accounts not enrolled in Schwab IIP be maintained with CS&Co.

### 3. Financial Planning Services:

We provide financial planning services through our Certified Financial Planner™ practitioners. Our financial planning process considers all your questions, information and analyses to determine the impact upon your entire financial and life situations. Our financial planning services are presented as either a “Comprehensive Financial Plan” or a “Target Financial Plan.”

**Comprehensive Financial Plan** – This includes a comprehensive evaluation of your current and future financial situation assessed by using currently known facts used to predict future cash flows, asset values and withdrawal plans. You will receive a written individualized case study which provides you with a detailed financial plan designed to assist you in achieving your financial goals and objectives.

In general the Comprehensive Financial Plan will address all of the following areas:

- **Personal** - We review family records, budgeting, personal liability, estate information and financial goals;
- **Tax and Cash Flow** - We analyze your income tax, spending and planning for past, current and future years; then illustrate the impact of various investments on your current income tax and future tax liability. We do not prepare tax returns for you.
- **Investments** - We analyze investment alternatives and their effect on your portfolio;
- **Insurance** - We review existing policies to ensure adequate coverage for life, health, disability, long-term care, liability, home and automobile. We do not sell liability, casualty, home or automobile insurance. Our related broker-dealer offers life insurance, annuities and long-term care policies;
- **Retirement** - We analyze current strategies and investment plans to help you achieve your retirement goals;
- **Death and Disability** - We review your cash needs at death, income needs of surviving dependents, estate planning and disability income;
- **Estate** - We assist you in assessing and developing long-term strategies, including, as appropriate, living trusts, wills, review prospective estate/gift tax and/or probate exposure, powers of attorney, asset protection plans, nursing homes, Medicaid and elder law. You will need to retain an attorney of your choice to prepare appropriate estate plan documents.

We gather necessary information through in-depth personal interviews and fact-gathering forms. Information gathered includes your current financial status, tax status, future goals, returns objectives and attitudes towards risk. We carefully review documents you supply including a questionnaire completed by you, and prepare a written report outlining a proposed financial plan. Should you choose to implement recommendations contained in the financial plan, we suggest you work closely with your own attorney, accountant, insurance agent, and/or other financial advisors. Implementation of financial plan recommendations is entirely at your discretion.

We provide general non-securities related advice on topics including tax and budgetary planning, retirement planning, educational planning estate planning and business planning. Typically the financial plan is presented to you within four to eight weeks of the date of your Financial Planning



Agreement, provided you promptly supply all information needed to prepare the financial plan. Our financial planning recommendations are not focused toward or limited to any particular or specific product or service offered by any broker-dealer or an insurance company. We do have a related broker-dealer which offers life insurance and annuity products. You are free to choose an insurance agent of your choice.

In conjunction with all the benefits recognized through the development and implementation of a Comprehensive Financial Plan, we believe you will find the greatest benefit comes from Financial Advisory Service's ongoing administration of your plan if you so desire. Generally, we waive ongoing fees for administration of your financial plan if you have assets under our management.

**Target Financial Plan** – This includes a more “targeted” review of specific areas of interest or concern regarding your financial situation. A Target Financial Plan usually encompasses one to three areas of your concern regarding any of the topics listed previously under Comprehensive Financial Plan rather than a comprehensive review of all areas of your financial situation.

You will receive a written individualized case study which provides you with a targeted analysis designed to assist you in achieving your financial goals and objectives for these particular areas.

**Financial Consulting Services** - You have the option of selecting from a broad array of topics which may be of personal concern to your financial situation. Following is a list of some topics that can be reviewed:

- Retirement Planning
- Investment Portfolio Design
- Income Tax Planning
- Debt Management
- Business Entity Planning
  - *New Company Start-up*
  - *Acquisition and Disposition*
  - *Buy-Sell Agreements*
  - *Succession Planning*
- Estate Planning
- Divorce Planning and Mediation
- Insurance Planning
  - *Life*
  - *Disability*
  - *Health*
  - *Long-Term Care*
  - *Annuities*
- Social Security Planning

These subject areas may be addressed individually in a detailed fashion to address the “hot spots” in your general financial program.

### **Your Responsibilities for All of our Services**

It is your responsibility to keep us fully and continuously updated as to your personal and current financial situation, investment objectives, personal circumstances, needs and goals, and promptly inform us of any changes.

## **Nature of our Advice**

We strive to render our best advice to our clients. Still, we cannot assure or guarantee our advice or your investments will be profitable, or ensure or guarantee no losses will occur in your investments managed by Financial Advisory Service.

## **Item 5 – FEES AND COMPENSATION**

---

In this section, we explain how we are compensated for the various advisory services we provide. We want you to be aware of how we are paid as well as any fees and compensation that we may receive in connection with the advisory services we provide. This information can be found in some or all of the following documents:

- This ADV brochure
- Your Financial Advisory Service client agreement
- Custodial agreements with brokerage houses or trust companies
- Schwab Institutional Intelligent Portfolio™ (“Schwab IIP”) Disclosure Brochure
- Mutual funds’ prospectuses and Statements of Additional Information

### **1. General Asset Management:**

Fee-based compensation is intended to align our interests with yours. This is because our compensation increases when the assets we manage for you increase. However, this link between the asset value of your account and our compensation can create a potential conflict of interest. If your account value decreases, so does our compensation.

Potentially, this conflict could give us an incentive to discourage you from withdrawing money from your account even if it might be in your best interest to do so. Examples might include using money in your managed account to (1) pay down debt; (2) purchase a home or car; or (3) travel.

Since we always strive to maintain a high degree of objectivity, our advice is not based on such incentives. However, the potential for conflict of interests exists, and you must be aware of that fact when you consider our recommendations. Our goal is that our advice to you remains at all times in your best interest and is unbiased.

The specific manner in which we charge fees to manage your investments is explained in your written *Investment Management Services Agreement* with us. We generally bill asset management fees on a quarterly basis. We determine the dollar amount of the fee by multiplying one-fourth of the annual percentage fee stated in your *Investment Management Services Agreement* by the market value of the assets held in your account(s) on the last day of the previous quarter. The specific annual fee schedule and/or quarterly fee schedule will be identified on Schedule A of the *Investment Management Services Agreement* between Financial Advisory Service and you.

Your *Investment Management Services Agreement* authorizes us to directly debit our quarterly fees from your custodial investment account(s) managed by Financial Advisory Service. If you choose not to have your fee debited directly from your account, you must notify us in writing. Asset management fees are prorated for each capital contribution and withdrawal made during the applicable calendar quarter.

Our annual fees for asset management services are primarily based upon a percentage of assets under management and services provided and they mostly range from 0.35% to 1.00% annually, charged on a quarterly basis.

Sometimes our fee is a negotiated fixed dollar fee charged on either a quarterly or monthly basis. The following is a sample fee schedule provided for illustrative purposes:

\$0 - \$1,000,000	1.00%
\$1,000,001 - \$2,500,000	.75%
\$2,500,001 - \$10,000,000	.50%
\$10,000,001 +	.35%
Annual Minimum fee = \$5,000	

For all accounts we manage, we usually require a minimum quarterly fee of \$1,250. This minimum fee may have the effect of making our services cost prohibitive for certain clients, particularly those with less than \$500,000 of “household assets” under our management. We may group certain of your related accounts, family accounts or corporate accounts for the purpose of achieving the account and fee minimum requirements. We may also have a “group fee rate” for an affiliated group of individuals or business entities. Financial Advisory Service, in its sole discretion, may determine to accept a lower minimum fee and amount of “household assets.”

We prorate your fee for any period of less than a full calendar quarter. Also, sometimes we mutually agree upon a fixed dollar amount periodic fee for the services we provide to you. Accounts initiated or terminated during a calendar quarter are charged a prorated fee. Upon termination of any account, any prepaid unearned fees are promptly refunded, but any earned, unpaid fees are due and payable.

Fee waivers, not generally available to advisory clients, may be offered to certain family members and close associates of employees of Financial Advisory Service.

Limited Negotiability of Fees for General Asset Management - Although we have established the aforementioned fee range, we retain the discretion to negotiate alternative fees on a client-by-client basis. Your facts, circumstances and needs are considered in determining your fee schedule. These include the complexity of your situation, assets to be placed under management, anticipated future additional assets, related accounts, portfolio style, account composition and reports among other factors.

Our fee does not include brokerage commissions, transaction fees, and other related costs and expenses. You may incur certain other charges imposed by custodians, brokers, third party investment managers and other third parties such as:

- fees charged by fund managers
- custodial fees
- trustee fees
- deferred sales charges
- odd-lot differentials
- transfer taxes
- wire transfer and electronic fund fees
- servicing fees
- other fees and taxes on your brokerage accounts and securities transactions

Additionally, mutual funds and exchange-traded funds also charge internal management fees which are disclosed in a fund’s prospectus. These charges and commissions are exclusive of and in addition to our asset management fee, and we do not receive any portion of these types of commissions, fees, and costs.

Item 12 further describes factors Financial Advisory Service considers in selecting or recommending broker-dealers for your securities transactions and determining the reasonableness of their compensation (e.g., commissions).

Some managed client assets may be managed utilizing an asset reporting and trading system called "ByAllAccounts." Accordingly, you may be billed on the combined asset value for all of your accounts including those managed via ByAllAccounts. The fee for account assets managed using ByAllAccounts is not deducted directly from such account, it is deducted from your other accounts we manage for you or as we otherwise agree.

Termination of Agreement - You have the right to terminate your *Investment Management Services Agreement*, without a fee being charged to you, within five (5) business days after entering into the agreement. Thereafter, your agreement with us may be terminated by receipt of written notice of cancellation by the party to whom the notice is sent. The asset management fee for the quarter in which the cancellation occurs is prorated as of the date of cancellation.

## **2. Schwab Institutional Intelligent Portfolios™ Asset Management:**

Our asset management fee for Schwab IIP services is usually .75% annually charged quarterly and deducted from your Schwab IIP account. As described in Item 4.2, you do not pay fees to SWIA or brokerage commissions or other fees to CS&Co as part of Schwab IIP. Schwab does receive other revenues in connection with Schwab IIP, as described in the Schwab IIP Disclosure Brochure you received electronically. Brokerage arrangements are further described below in Item 12 – Brokerage Practices.

## **3. Financial Planning Services:**

Fees may be charged based upon either a percentage of your current gross annual income or a fixed dollar fee negotiated in advance between Financial Advisory Service and you. This is the development fee for the initial Comprehensive or Target Financial Plan. The exact fees will be specified in the *Financial Planning Agreement*. A fee for subsequent updates of the financial plan will be charged in addition to the initial plan fee. However, the update fee is waived by us if you have a mutually-agreed amount of "household assets" in your Investment Portfolio.

Percentage or fixed fees are estimated by us upon a preliminary assessment of the complexity of your financial circumstances, the level of skill required to perform the services and accordingly, the time likely to be required to perform the services. One-half of the fee is usually due and payable upon acceptance of the *Financial Planning Agreement* by Financial Advisory Service with the balance of the fee due and payable upon presentation of the plan. Payment arrangements will be specified in your *Financial Planning Agreement*. Under no circumstances will we require prepayment of a financial planning fee more than six months in advance.

Some personnel and other related persons of Financial Advisory Service are licensed as registered representatives of our affiliated broker-dealer, FAS Corp., and/or licensed as insurance agents or brokers with FAS Corp. In such separate capacities these individuals are able to implement product recommendations for you if you choose to do so, for separate and typical compensation (such as commissions, 12b-1 fees or other sales-related forms of compensation).

This presents a conflict of interest to the extent that these individuals recommend you purchase a product which, if purchased through FAS Corp. results in a commission being paid to FAS Corp. or the individual(s).

You are not under any obligation to engage these individuals for product purchase when considering implementation of advisory recommendations. The implementation of any or all recommendations is solely at your discretion and you may choose the person(s) you wish for assistance.

#### **4. Financial Consulting Services:**

Financial Consulting Services are billed at a negotiable fee between Financial Advisory Service and you. This fee can be a set monthly or quarterly fee or an hourly fee ranging from \$150 to \$300 per hour for each Financial Advisory Service professional assisting you. These fees are subject to change for an ongoing engagement but only on a written notice from Financial Advisory Service. We offer these services based on an hourly rate or for a fixed fee negotiated with you. We reserve the discretion to reduce or waive the hourly fee and/or the minimum fixed fee if you choose to engage us for our investment management services.

#### **Item 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

Financial Advisory Service does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the funds in a client account) because of the potential conflict of interest. However, the nature of asset-based fees allows us to participate in the growth of your wealth. This also means our fees can decline when your portfolio declines in value.

#### **Item 7 – TYPES OF CLIENTS**

Financial Advisory Service provides financial planning and asset management services to the following types of clients:

##### **General Asset Management and Financial Planning:**

- Individuals (other than high net worth individuals)
- High net worth individuals
- Pension, profit sharing and non-qualified deferred compensation plans of business entities
- Trusts, estates, charitable organizations
- Business entities not listed above

As previously disclosed in Item 5, we have established certain initial minimum account requirements generally required to maintain an asset management account with us based on the nature of the service(s) being provided. For a more detailed understanding of the requirements, please review the disclosures provided in each applicable service.

##### **Schwab Institutional Intelligent Portfolios™ Asset Management:**

Clients eligible to enroll in Schwab IIP include: Individuals, IRAs and Revocable Living Trusts. Clients that are organizations (such as corporations and partnerships) or government entities, and clients subject to the Employee Retirement Income Security Act of 1974 (“ERISA”) are NOT eligible for Schwab IIP.

The minimum investment required to open an account in Schwab IIP usually is at least \$50,000. The Schwab IIP Disclosure Brochure describes related minimum required account balances for maintenance of the account, automatic rebalancing and tax-loss harvesting.

## **Item 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

Financial Advisory Service uses financial reporting services, Morningstar, multiple investment bank or brokerage firm research products and numerous other investment information services for investment research and analyses.

Investment strategies and recommendations may be based upon consideration of any of the following:

- **Diversification** – for the purpose of balancing risk while maintaining the possibility of gain;
- **Risk Factors** – including without limitation the risk of capital loss (market risk) and the risk of loss of purchasing power (inflation risk), and your understanding of, and financial ability to bear, such risks;
- **Asset Allocation** – taking into consideration short-term and long-term liquidity needs, blending of lesser and greater risk approaches, and combining income, growth, and safety concepts;
- **Discipline** – emphasizing commitment and follow through over a reasonable period of time in order to permit the investment plan or recommendation(s) to achieve the intended result; or
- **Income Tax Considerations** – these should not replace economic benefits as the principal determinant of investment decisions.

We use or consider one or more of the following methods of analyses in formulating our overall investment advice and/or managing your Financial Advisory Service investment Portfolio:

- **Overall Analysis.** We consider and review current economic and financial factors (including but not limited to the overall economy, industry, interest rates and credit market conditions).
- **Technical Analysis.** We analyze past market movements and apply that analysis to the present in an attempt to recognize recurring patterns of investor behavior which might potentially predict future financial market movements.
- **Asset Allocation.** This is our primary method of managing your Financial Advisory Service Investment Portfolio. We attempt to identify an appropriate ratio of equities, fixed income, and cash suitable to your investment goals, time horizon and risk tolerance.
- **Mutual Fund and/or ETF Analysis.** We look at the experience and track record of the manager of the mutual fund or ETF in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions.

We look at the underlying assets in a mutual fund or ETF in an attempt to determine if there is significant overlap in the underlying investments held in another fund(s) in your Investment Portfolio managed by Financial Advisory Service.



We also monitor the funds or ETFs in an attempt to determine if they are continuing to follow their stated investment strategy.

A risk of mutual fund and/or ETF analysis is that, as in all securities investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a fund or ETF, managers of different funds held by you may purchase the same security, increasing the risk to you if that security was to fall in value.

There is also a risk that a manager may deviate from the stated investment mandate or strategy of the fund or ETF, which could make the holding(s) less suitable for your Investment Portfolio.

Please note: ETFs may be subject to trading constraints and delays in executing trades to buy or sell and liquidity and/or pricing issues particularly in times of extreme financial market conditions.

**Risks for all Forms of Analysis:** Past performance does not guarantee future results and there is a risk of loss in value of the assets in your Financial Advisory Service Investment Portfolio. It is important you work with us to determine your own personal tolerance for risk.

**Schwab Institutional Intelligent Portfolios™ Asset Management:** The Schwab IIP Disclosure Brochure includes a discussion of various risks associated with Schwab IIP including risks of investing in ETFs, as well as risks related to the underlying securities in which ETFs invest. In addition, the Schwab IIP Disclosure Brochure also discusses market/systemic risks, asset allocation/strategy/diversification risks, investment strategy risks, trading/liquidity risks and large investment risks.

#### **Item 9 – DISCIPLINARY INFORMATION**

We are required to disclose any legal or disciplinary events material to your evaluation of our advisory business or the integrity of our management. Our firm and management personnel have no reportable disciplinary events to disclose.

#### **Item 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

While Financial Advisory Service and its advisors endeavor at all times to put your interests first as part of our fiduciary duty, you should be aware the receipt of additional compensation itself creates a conflict of interest, and may affect the judgment of these individuals when making recommendations. We take the following steps to address any conflicts of interest:

- We disclose to you the existence of all material conflicts of interest, including the potential for Financial Advisory Service and employees to earn compensation from you in addition to our firm's advisory fees;
- We disclose to you that you are not obligated to purchase recommended investment or insurance products from our employees or affiliated companies;
- We collect, maintain and document accurate, complete and relevant background information on you, including your financial goals, objectives and risk tolerance;

- Our firm's management conducts regular reviews of your Investment Portfolio to verify all recommendations made to you are suitable to your needs and circumstances;
- We require employees to seek prior approval of any outside employment activity so we may ensure any conflicts of interests in such activities are properly addressed;
- We periodically monitor these outside employment activities to verify any conflicts of interest continue to be properly addressed by our firm; and
- We educate our employees regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to you.

**FAS Corp.** – Some Financial Advisory Service Investment Adviser Representatives (“Investment Adviser Rep”) are also registered with our affiliate, FAS Corp., as Registered Securities Representatives (“Registered Rep”). FAS Corp. is a FINRA member broker-dealer.

Some Financial Advisory Service advisors are licensed life and health insurance agents with FAS Corp., which is also a general insurance agency, and have arrangements to provide insurance or annuity products through a number of insurance companies. A list of insurance companies represented is available upon your request. From time to time, FAS Corp. receives financial and/or product contributions from such companies to sponsor client events.

You may decide to obtain insurance products or elect to have certain securities transactions in mutual funds, variable life products and variable annuity products executed by our advisors specifically acting in their capacity as a FAS Corp. Registered Rep or insurance agent. In some instances, an advisor of Financial Advisory Service may be compensated by FAS Corp., directly or indirectly, by the payment of a portion of the commissions or fees it may receive as a result of these securities or insurance transactions.

As an affiliate, we financially benefit from the commissions or fees received by FAS Corp. or our advisors who are licensed with FAS Corp. as Registered Reps. FAS Corp. pays investment management fees to Financial Advisory Service to select and manage the fund allocations in the individual variable annuity products purchased from FAS Corp. by its customers.

**Monaco Wealth Management, LLC (“Monaco”)** – Terri M. Kirley, a Registered Rep of FAS Corp., is the sole owner of Monaco, a state registered investment adviser. Financial Advisory Service serves as a sub-investment adviser to some Monaco clients and also shares office space with Monaco.

**Hawthorn Bank** – Financial Advisory Service may serve as an investment adviser to accounts maintained by Hawthorn Bank on behalf of some of its clients.

**CPA Services** – David A. Cole and Michael D. Leonard are Certified Public Accountants, Investment Adviser Reps of Financial Advisory Service, and Michael D. Leonard is a Registered Rep of FAS Corp. Financial Advisory Service does not render accounting and tax advice or accounting and tax preparation services. If you need accounting or tax advice services, we will recommend an accounting professional.

We do not share in any fees charged to you by such an accounting professional we may recommend. Larry D. Sowers, CPA, has an office suite which adjoins Financial Advisory Service offices but Mr. Sowers operates independently of Financial Advisory Service and neither has any ownership in the other firm.



**John A. Meier, Attorney at Law** – Occasionally when a client requests a referral for an attorney we may refer that person to John A. Meier, Attorney at Law, who can arrange to meet clients at our office. Mr. Meier is also General Counsel of Financial Advisory Service and FAS Corp., is an Investment Adviser Rep of Financial Advisory Service and a Registered Principal and Registered Rep of FAS Corp.

If you request Mr. Meier's legal services, he may charge you a fee for those services performed as an attorney, independent of Financial Advisory Service. We are not permitted to practice law and we do not share in attorney's fees of Mr. Meier. No portion of the financial planning advice or other services provided to you by Financial Advisory Service should be interpreted as legal advice.

**Jennifer Meier Kowal, Attorney at Law** – Ms. Kowal occasionally provides estate and tax planning services for which Financial Advisory Service or the client will compensate her. Ms. Kowal operates independently of Financial Advisory Service and has no ownership in the firm.

### ***Item 11 – CODE OF ETHICS***

---

Financial Advisory Service has adopted a Code of Ethics ("Code") which establishes rules of conduct for all employees and is designed to, among other things; govern personal securities trading activities in the accounts of employees.

The Code is based upon the principle that Financial Advisory Service and its employees owe a fiduciary duty to clients to conduct employees' affairs, including personal securities transactions, in such a manner as to avoid (i) serving their own personal interests ahead of clients, (ii) taking inappropriate advantage of their position with the firm and (iii) any actual or potential conflict of interest or any abuse of their position of trust and responsibility. This means Financial Advisory Service has an affirmative duty of utmost good faith to act solely in your best interests.

The Code is designated to ensure the high ethical standards long maintained by Financial Advisory Service continue to be applied. The excellent name and reputation of our firm continues to be a direct reflection of the conduct of each employee. We will provide a copy of our Code to any client or prospective client upon request.

***Financial Advisory Service Associated Persons' Own Securities Transactions*** - Our owners, advisors and staff ("Associated Persons"), or Financial Advisory Service's tax-qualified employee retirement plan may acquire and own or sell some of the same securities contained in your Investment Portfolio or otherwise recommended to you. At no time will such a transaction be of such a size to influence the market for the security. In accordance with Rule 204-2(a)-12, we keep a current record of all Associated Persons' investment transactions. Each quarter, Associated Persons must report to the Financial Advisory Service compliance officer regarding their personal securities holdings and transactions and adhere to our Code.

***Participation or Interest in Client Transactions*** - A Financial Advisory Service Investment Adviser Rep may recommend you acquire a particular type of investment, insurance or annuity product from FAS Corp. or recommend custody of your account with a particular broker/dealer.

In other instances, you may request Financial Advisory Service or FAS Corp. execute the purchase of a particular investment or insurance product for your account. In such instances, Financial Advisory Service Investment Adviser Reps, as Registered Reps of FAS Corp., may directly or indirectly receive compensation (including commissions) in addition to your financial service or investment management fees. This compensation may be received in more than one capacity and from a number of affiliated and unaffiliated sources.

You are free to implement recommended purchases of various types of investment, insurance and annuity products through any firm or individual, designate a particular broker-dealer, or custody an account where you please. There is no obligation to make such product purchases through FAS Corp. or Financial Advisory Service Investment Adviser Reps, as Registered Reps of FAS Corp., or follow recommendations as to a particular custodian or broker-dealer.

Financial Advisory Service does not warrant or represent that commissions on product purchases executed through FAS Corp. or Financial Advisory Service advisers will be the lowest commissions available in the marketplace.

You may be able to obtain products at a lower cost from another broker/dealer or insurance agency. Because commissions or fees are paid to FAS Corp. and/or its Registered Reps for purchases of certain investments or insurance or annuity products executed on your behalf, a conflict of interest may occur. Also, since Financial Advisory Service or FAS Corp. may receive benefits, services and/or fees by reason of you utilizing a particular broker-dealer, a conflict of interest may occur.

Financial Advisory Service or FAS Corp. may recommend you source a variable life or variable annuity product, or a non-variable life or health insurance product, from a number of non-affiliated third party providers. These companies may cause commission revenues to be shared with FAS Corp. if a product transaction is placed with one of them.

Our Code further includes our policy prohibiting the use of material non-public information. While we do not believe we have any particular access to non-public information, all employees are reminded such information may not be used in a personal or professional capacity. A copy of our Code is available to our advisory clients and prospective clients. You may request a copy by email sent to our Chief Compliance Officer at [sloanc@faskc.com](mailto:sloanc@faskc.com) or by calling 913-239-2300.

Financial Advisory Service, its retirement plan, and/or individuals associated with us may buy or sell for their personal accounts securities identical to or different from those recommended to you. In addition, any related person(s) may have an interest or position in a certain security which may also be recommended to you.

It is the express policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account, thereby preventing these employee(s) from benefiting from transactions placed on behalf of advisory accounts.

We may aggregate our employee trades with your transactions where possible and when compliant with our duty to seek best execution for you. In these instances, you will receive an average share price but transaction costs will be charged the same as if the trades were placed individually for each account.

In the instances where there is a partial fill of a particular batched order, we will allocate all purchases pro-rata, with each account paying the average price. Our employee accounts will be excluded in the pro-rata allocation.

Since the situations described above represent actual or potential conflicts of interest to you, we have established the following policies and procedures for implementing our firm's Code to ensure our firm complies with its regulatory obligations and provides you and potential clients with full and fair disclosure of such conflicts of interest:

- No principal or employee may put his or her own interest above your interests.
- No principal or employee may buy or sell securities for their personal portfolio(s) where

their decision is a result of information received as a result of their employment unless the information is also available to the investing public.

- It is the express policy of our firm that no employee may purchase or sell any security prior to a transaction(s) being implemented for your account. This prevents employees from benefiting from transactions placed on your behalf.
- Our firm requires prior approval for any IPO or private placement investments by related persons of the firm.
- We have established procedures for the maintenance of all required books and records.
- All principals and employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
- We require delivery and acknowledgement of the Code by each supervised person of our firm.
- We have established policies requiring the reporting of Code violations to senior management.
- Any individual who violates any of the above restrictions may be subject to termination.

As disclosed in the preceding section of this Brochure (Item 10), related persons of our firm are separately registered as securities representatives of a broker-dealer, investment adviser representatives of another registered investment adviser, and/or licensed as an insurance agent/broker of various insurance companies. Please refer to Item 10 for a detailed explanation of these relationships and important conflict of interest disclosures.

## **Item 12 – BROKERAGE PRACTICES**

### **The Custodians and Brokers We Use**

Financial Advisory Service, as part of its investment management service, may request that you open a securities account with one of the custodians listed below. Financial Advisory Service is not registered, licensed or affiliated with these brokerage firms. We regularly monitor the services provided by the custodians used to ensure they are meeting the needs and requirements for best execution of securities trades and interfacing with our portfolio management software and other administrative tools.

We do not maintain custody of your assets we manage although we may be deemed to have custody of your assets if you give us authority to withdraw assets from your account held with an outside custodian for payment of your management fee (see Item 15 below).

Your assets must be maintained in an account at a “qualified custodian,” generally a broker-dealer or bank. We seek to select or recommend a custodian/broker who will hold your assets and execute transactions on terms that are, overall, most advantageous when compared to other available products and their services. We generally recommend you use one or more of the following qualified custodians to custody your account or trust assets:

- Charles Schwab & Co. (“Schwab”)
- Scottrade
- Fidelity Investments, Inc. (“Fidelity”)
- TD Ameritrade (“TD Ameritrade”)
- A number of Trust companies

These custodians/broker-dealers are registered with the Securities and Exchange Commission and are members of SIPC or are regulated by appropriate banking regulators in the case of a trust company. Financial Advisory Service is independently owned and operated, and we are not affiliated with any of these qualified custodians. These qualified custodians will hold your assets in a brokerage account and buy and sell securities when we or you instruct them to do so.

Although we may recommend you use one or more of these custodians, you will decide whether to do so and will open your account with them by entering into an account agreement directly with them. We do not open the account for you although we may assist you with the custodian’s required paperwork.

The following qualified broker/dealer custodians provide us and our clients with access to their institutional brokerage – trading, custody, reporting, and related services – many of which are not typically available to retail customers. These qualified custodians also make available various support services. Some of those services help us manage or administer our clients’ accounts; while others help us manage and grow our business. These support services are generally available to us on an unsolicited basis (we do not have to request them) and at no charge to us as long as our clients collectively maintain a certain amount of assets at the custodian.

We encourage you to compare the account balances contained in your Financial Advisory Service quarterly report to those balances reflected on the statements you receive directly from your account’s “Custodian(s)” pertaining to the same quarterly reporting period. “Custodian” means the brokerage firm, trust company, insurance company or mutual fund company actually having physical custody of the assets shown in your account(s).

### **Charles Schwab & Co. (“Schwab”)**

For our clients’ accounts that Schwab maintains, Schwab generally does not charge you separately for custody services but is compensated by charging you commissions or other fees on trades it executes or that settle into your Schwab account. Some of Schwab’s commission rates and/or asset-based fees applicable to your accounts were negotiated based on the condition our clients collectively maintain a certain level of client assets in accounts at Schwab. This commitment benefits you because the overall commission rates and/or asset-based fees you pay are lower than they would be if we had not made the commitment.

In addition to commissions and/or asset-based fees, Schwab charges you a flat dollar amount as a “prime broker” or “trade away” fee for each trade we have executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into your Schwab account.

**Products and Services Available to Us from Schwab** – Schwab Advisor Services is Schwab’s business serving independent investment advisory firms like Financial Advisory Service. They provide us and our clients with access to its institutional brokerage – trading, custody, reporting and related services – many of which are not typically available to Schwab retail customers. Schwab also makes available various support services.

Some of those services help us manage or administer our clients' accounts while others help us manage and grow our business. Here is a more detailed description of Schwab's support services:

*Services that Benefit You.* Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Schwab's services described in this paragraph generally benefit you and your accounts.

*Services that May Not Directly Benefit You.* Schwab also makes available to us other products and services that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our clients' accounts.

They include investment research, both Schwab's own and that of third parties. We may use this research to service all or some substantial number of our clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

- provide access to client account data (such as duplicate trade confirmations and account statements);
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
- provide pricing and other market data;
- facilitate payment of our fees from our clients' accounts; and
- assist with back-office functions, recordkeeping and client reporting.

*Services that Generally Benefit Only Us.* Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include:

- educational conferences and events;
- technology, compliance, legal, and business consulting;
- publications and conferences on practice management and business succession; and
- access to employee benefits providers, human capital consultants and insurance providers.

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide us with other benefits such as occasional business entertainment of our personnel.

More specifically, Schwab has provided us and may continue to provide us with financial assistance that can be used towards technology-related expenses of our business. This assistance is based on the expectation that we maintain or add to our client assets in custody with Schwab. As such, this creates a conflict of interest in our recommending Schwab as the custodian for client accounts. However, we remain cognizant of our duty of best execution and continue to act in accordance with it.

In evaluating whether to recommend or require clients custody their assets at Schwab, we may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors we consider and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab. This could create a potential conflict of interest.



**Schwab Institutional Intelligent Portfolios™ Asset Management** – As described in the Schwab IIP Disclosure Brochure (supplied to you by Schwab if you choose to participate in Schwab IIP), your purchase and sale orders for ETFs may be aggregated across accounts enrolled in Schwab IIP, including both accounts for our clients and accounts for clients of other independent investment advisory firms using Schwab IIP. With respect to Schwab IIP, as described above under Item 4., Financial Advisory Service does not pay Schwab for its services in connection with Schwab IIP so long as we maintain \$100 Million in client assets in accounts at Schwab NOT enrolled in Schwab IIP.

**Scottrade® Advisor Services** – Financial Advisory Service participates in the institutional advisor program offered by Scottrade, Inc. Scottrade® Advisor Services is a division of Scottrade, Inc., member FINRA/SIPC. Financial Advisory Service has an arrangement with Scottrade through which Scottrade provides us with their "platform" services.

The platform services include, among others, brokerage, custodial, administrative support, record keeping and related services intended to support intermediaries like Financial Advisory Service in conducting business and in serving the best interests of our clients but that may also benefit us.

**Fidelity Brokerage Services, LLC** – Financial Advisory Service has an arrangement with National Financial Services LLC, and Fidelity Brokerage Services LLC (together with all affiliates, "Fidelity") through which Fidelity provides us with their "platform" services. The platform services include, among others, brokerage, custodial, administrative support, record keeping and related services intended to support intermediaries like Financial Advisory Service in conducting business and in serving the best interests of our clients but that may also benefit us.

Fidelity charges brokerage commissions and transaction fees for effecting certain securities transactions (i.e., transactions fees are charged for certain no-load mutual funds; commissions are charged for individual equity and debt securities transactions).

Fidelity enables us to obtain many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges. Fidelity's commission rates are generally considered discounted from customary retail commission rates.

However, the commissions and transaction fees charged by Fidelity from time to time may be higher or lower than those charged by other custodians and broker-dealers. As part of the arrangement, Fidelity also makes available to our firm, at no additional charge to us, certain research and brokerage services, including research services obtained by Fidelity directly from independent research companies, as selected by Financial Advisory Service (within specified parameters). These research and brokerage services presently include services which may be used by our firm to manage accounts for which we have investment discretion.

Financial Advisory Service may also receive additional services. Without this arrangement, we might be compelled to purchase the same or similar services at our own expense. As a result of receiving such services for no additional cost, we may have an incentive to continue to use or expand the use of Fidelity's services.

We examined this potential conflict of interest when we chose to enter into the relationship with Fidelity and have determined the relationship is in the best interests of Financial Advisory Service's clients and satisfies our client obligations, including our duty to seek best execution.

A client may pay a commission higher than another qualified broker-dealer might charge to effect the same transaction where we determine in good faith that the commission is reasonable in relation to the value of the brokerage and research services received. While Financial Advisory Service will seek competitive rates to the benefit of all clients, we may not necessarily obtain the lowest possible commission rates for your account transactions.

Although the investment research products and services that may be obtained by us will generally be used to service all of our clients, a brokerage commission paid by you may be used to pay for research not used in managing your account.

**TD Ameritrade, Inc.** – Financial Advisory Service participates in the institutional advisor program (the “Program”) offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member FINRA/SIPC/NFA (“TD Ameritrade”), an unaffiliated SEC-registered broker-dealer and FINRA member. TD Ameritrade offers to independent investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions. Our firm receives some benefits from TD Ameritrade through its participation in the Program. (Please see the disclosure under Item 14).

**Other Brokers** – Even though your account is maintained at one or more of the qualified custodians, we can still use other brokers to execute trades for your account as described below. While Financial Advisory Service generally executes substantially all your securities transactions through the qualified custodian which has custody of your account(s) managed by us, there may be special situations where we select another broker-dealer to effect a securities transaction for you (i.e. buying or selling individual municipal bonds, etc.).

Also, you may request/direct Financial Advisory Service utilize a specific broker-dealer to execute a transaction for your account managed by us, and we will use all reasonable efforts to honor that request. In the event you direct us to use a particular broker or dealer, we may not be authorized under those circumstances to negotiate commissions and may not be able to obtain volume discounts or best execution.

In addition, under these circumstances a disparity in commission charges may exist between the commissions charged to you who directed us to use a particular broker or dealer and other clients who do not direct Financial Advisory Service to use a particular broker or dealer.

Financial Advisory Service, by using its discretion to select a particular broker-dealer to affect your securities transactions for your account(s) managed by us, may cause you to pay greater brokerage fees, commissions or other charges (“Charges”) than another broker-dealer might charge. As previously mentioned, Financial Advisory Service may be receiving products, research and services from a particular broker-dealer that may not benefit all clients or all clients equally.

In selecting a broker-dealer for your securities transaction, we make a good faith determination the Charges are reasonable in relation to the value of the brokerage services you receive. As a result, you may pay higher Charges or other transactions costs, or greater spreads, or receive less favorable net prices on a securities transaction than would otherwise be the case if we selected other or multiple broker-dealers.

### **Item 13 – REVIEW OF ACCOUNTS**

**Asset Management Accounts** – For investment advisory clients, Financial Advisory Service financial advisors monitor portfolios as part of an ongoing process. Regular account reviews are usually conducted on a quarterly to semi-annual basis or whenever requested by you.

Reviews with clients generally include assessing your goals and objectives, monitoring the portfolio, evaluating the investment strategy, and discussing any needed changes in the investment strategy including the need to rebalance or re-allocate your investments among various investment asset classes based on your stated investment objectives.

**Reports** - In addition to the monthly or quarterly statements and confirmations of transactions you receive from your custodian/broker-dealer, we provide written quarterly statements summarizing account performance, balances and holdings sent to your address of record.

We encourage you to compare the account balances contained in your Financial Advisory Service quarterly report to those balances reflected on the statements you receive directly from your account's "Custodian(s)" pertaining to the same quarterly reporting period. "Custodian" means the brokerage firm, trust company, insurance company or mutual fund company actually having physical custody of the assets shown in your account(s).

**Financial Plan Accounts** – After your initial financial plan is completed, if you advise us of events or circumstances which may affect your financial plan, or if you request an update, a Financial Advisory Service advisor will review your most recent financial plan and if appropriate, suggest changes in specific portions of the most recent financial plan including one or more of the following items: estate, retirement and tax planning, investment planning and risk management.

**Reports** - Financial Planning clients receive a completed initial financial plan. Additional reports or updates will not typically be provided unless otherwise requested or contracted by you.

#### **Item 14 – CLIENT REFERRALS AND OTHER COMPENSATION**

---

##### **Client Referrals**

**TD Ameritrade AdvisorDirect** – Financial Advisory Service may receive client referrals from TD Ameritrade through our participation in TD Ameritrade's AdvisorDirect. In addition to meeting the minimum eligibility criteria for participation in AdvisorDirect, we may have been selected to participate in AdvisorDirect based on the amount and profitability to TD Ameritrade of the assets in, and trades placed for, client accounts maintained with TD Ameritrade. TD Ameritrade is a discount broker-dealer independent of and unaffiliated with Financial Advisory Service and there is no employee or agency relationship between them.

TD Ameritrade has established AdvisorDirect as a means of referring its brokerage customers and other investors seeking fee-based personal investment management services or financial planning services to independent investment advisors. TD Ameritrade does not supervise Financial Advisory Service and has no responsibility for our management of client portfolios or Financial Advisory Service other advice or services.

Financial Advisory Service pays TD Ameritrade an on-going fee for each successful client referral. This fee is usually a percentage (not to exceed 25%) of the advisory fee the client pays to Financial Advisory Service ("Solicitation Fee").

We will also pay TD Ameritrade the Solicitation Fee on any advisory fees received by us from any of a referred client's family members, including a spouse, child or any other immediate family member who resides with the referred client and hired Financial Advisory Service on the recommendation of the referred client. We will not charge clients referred through AdvisorDirect any fees or costs higher than our standard fee schedule offered to our clients or otherwise pass Solicitation Fees paid to TD Ameritrade to our clients.



For information regarding additional or other fees paid directly or indirectly to TD Ameritrade, please refer to the TD Ameritrade AdvisorDirect Disclosure and Acknowledgement Form.

Financial Advisory Service participation in AdvisorDirect raises potential conflicts of interest. TD Ameritrade will most likely refer clients through AdvisorDirect to investment advisors that encourage their clients to custody their assets at TD Ameritrade and whose client accounts are profitable to TD Ameritrade.

Consequently, in order to obtain client referrals from TD Ameritrade, Financial Advisory Service may have an incentive to recommend to clients' assets under management by Financial Advisory Service be held in custody with TD Ameritrade and to place transactions for client accounts with TD Ameritrade.

In addition, Financial Advisory Service has agreed not to solicit clients referred to us through AdvisorDirect to transfer their accounts from TD Ameritrade or to establish brokerage or custody accounts at other custodians, except when our fiduciary duties require doing so. Financial Advisory Service participation in AdvisorDirect does not diminish its duty to seek best execution of trades for client accounts.

**Solicitors** – Financial Advisory Service from time to time may engage and pay fees to certain individuals including non-affiliated Advisors, ("Solicitors") to refer potential clients to Financial Advisory Service.

Such an engagement is represented by a written agreement, pursuant to which the Solicitor is paid a solicitation/referral fee. Each Solicitation Agreement is individually negotiated and, therefore, the solicitation referral fee can vary from a flat fee per year, a flat fee for each new client, a percentage fee based upon the amount of new funds under management, or a combination of these compensation formulas.

Any such solicitation/referral fee is entirely paid from our investment management fee and does not cause any additional or higher fee to a client. As a matter of firm practice, the advisory fees paid to us by clients referred by solicitors are not increased as a result of any referral. It is our policy not to accept or allow our related persons to accept any form of compensation, including cash, sales awards or other prizes, from a non-client in conjunction with the advisory services we provide to our clients.

A Solicitor is required to disclose to the client the Solicitor's referral/solicitor arrangement with Financial Advisory Service. In each instance, the client receives a written confirmation statement and is required to sign a statement acknowledging the client is aware of the arrangement with the particular solicitor and the client received a copy of our disclosure Brochure, Form ADV, Part 2A. In the case of a non-affiliated IA Rep, such a person will also provide a current copy of the disclosure Brochure for the firm with which the person is affiliated.

Any Solicitation Agreement will comply with the Federal Regulations as set out in 17 C.F.R. Section 275-206(4)-3. Financial Advisory Service has read and understands the Federal Regulations with regard to the use of solicitors, and will be in compliance with these Federal Regulations.

**State of California** - Financial Advisory Service will furnish names and addresses of individuals soliciting investment advisory services upon request by the California Department of Corporations. If the solicitor is other than an individual, said solicitor will be licensed in California, or any other state requiring such, as an investment adviser representative prior to any California client, or other resident of other requiring state, being solicited.

## **Other Compensation**

**Charles Schwab & Co. (“Schwab”)** – We receive an economic benefit from Schwab in the form of the support products and services it makes available to us. These products and services, how they benefit us, and the related conflicts of interest are described above under *Item 12 – Brokerage Practices*. The availability to Financial Advisory Service of Schwab’s products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

**Scottrade, Inc.** – We receive an economic benefit from Scottrade in the form of the support products and services it makes available to us. These products and services, how they benefit us, and the related conflicts of interest are described above under *Item 12 – Brokerage Practices*. The availability to Financial Advisory Service of Scottrade’s products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

**Fidelity Brokerage Services, LLC (“Fidelity”)** – Financial Advisory Service has an arrangement with National Financial Services LLC and Fidelity Brokerage Services LLC (collectively, and together with all affiliates, “Fidelity”) through which Fidelity provides us with “institutional platform services.” The institutional platform services include, among others, brokerage, custody, and other related services. Fidelity’s institutional platform services that assist us in managing and administering client accounts include software and other technology that:

- provide access to client account data (such as trade confirmations and account statements);
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
- provide research, pricing and other market data;
- facilitate payment of fees from its clients’ accounts; and
- assist with back-office functions, recordkeeping and client reporting.

Fidelity also offers other services intended to help us manage and further develop our advisory practice. Such services include, but are not limited to, performance reporting, financial planning, contact management systems, third party research, publications, access to educational conferences, roundtables and webinars, practice management resources, access to consultants and other third party service providers who provide a wide array of business related services and technology with whom we may contract directly.

Fidelity generally does not charge its advisor clients separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through Fidelity or that settle into Fidelity accounts (i.e., transactions fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions).

Fidelity provides access to many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges. Financial Advisory Service is independently operated and owned and is not affiliated with Fidelity.

**TD Ameritrade (“TD Ameritrade”)** – As previously disclosed under Item 12, Financial Advisory Service participates in TD Ameritrade’s institutional customer program and we may recommend TD Ameritrade to clients for custody and brokerage services.

There is no direct link between our participation in this program and the investment advice we give to you, although we may receive economic benefits through our participation in this program that are typically not available to TD Ameritrade retail investors.

These benefits include the following products and services (provided without cost or at a discount):

- receipt of duplicate client statements and confirmations;
- research related products and tools;
- consulting services;
- access to a trading desk serving adviser participants;
- access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts);
- the ability to have advisory fees deducted directly from client accounts;
- access to an electronic communications network for client order entry and account information;
- access to mutual funds with no transaction fees and to certain institutional money managers; and
- discounts on compliance, marketing, research, technology, and practice management products or services provided to Financial Advisory Service by third party vendors.

TD Ameritrade may also have paid for business consulting and professional services received by Financial Advisory Service's related persons. Some of the products and services made available by TD Ameritrade through this program may benefit us but may not benefit your accounts or the accounts of other clients.

These products or services may assist us in managing and administering client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help us manage and further develop our business enterprise.

The benefits received by Financial Advisory Service or its personnel through participation in this program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of our fiduciary duty to you,

Financial Advisory Service endeavors at all times to put your interests first. You should be aware, however, that the receipt of economic benefits by Financial Advisory Service or its related persons in and of itself creates a potential conflict of interest and may indirectly influence our choice of TD Ameritrade for custody and brokerage services.

### **Additional Compensation**

In consideration of furnishing financial services, our Advisors may directly and indirectly receive compensation in addition to your investment management fees, in more than one capacity and from a number of affiliated and unaffiliated sources.

For example, if you implement our recommendations by purchasing insurance or annuity products through one of our Advisors (acting as a Registered Rep or traditional insurance agent), FAS Corp., our affiliated broker-dealer, and/or the Financial Advisory Service IA Rep may receive

additional compensation other than the fees you pay us in the form of commissions from the insurance or annuity company.

**Client Events and Other Support** - Financial Advisory Service may receive support services and products from broker-dealers, custodians, mutual fund investment managers, insurance companies, banks, service providers, or other financial institutions. Included within the support services which may be received are financial and product contributions to Financial Advisory Service client events and seminars.

#### ***Item 15 – CUSTODY***

---

Financial Advisory Service does not maintain actual custody of your funds or securities. However, as we previously disclosed in the "Fees and Compensation" section (Item 5) of this Brochure, we directly debit advisory fees from your accounts unless you have directed otherwise in writing. Because of this authority to debit fees directly from most client accounts, we are deemed to have custody of client funds according to Rule 206(4)-2 of the Investment Adviser's Act of 1940.

As part of this billing process, the qualified custodian of your account is advised of the amount of the fee to be deducted from your account. On at least a quarterly basis, the custodian is required to send you a statement showing all transactions within the account during the reporting period. Because we calculate the amount of the fee to be deducted and not the custodian, it is important for you to carefully compare your custodial statements to our quarterly statements we send to you in order to verify the accuracy of the calculation, among other things.

You should contact Financial Advisory Service directly if you believe there may be an error in your statement. In addition to the periodic statements you receive directly from your custodian(s), we also send account statements directly to you on a quarterly basis.

We urge you to carefully compare the information provided on these statements to ensure all account transactions, holdings and values are correct and current. Our statements can somewhat vary from your custodial statements because of accounting procedures, reporting dates, or valuation methodologies of certain securities.

According to Rule 206(4)-2 of the Investment Adviser's Act of 1940, Financial Advisory Service does not have custody of client funds or securities in any other capacity except for the deduction of client fees directly from client accounts when so authorized in advance by a client.

#### ***Item 16 – INVESTMENT DISCRETION***

---

If you so desire, Financial Advisory Service usually receives discretionary authority from you at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold for one or more of your investment accounts. In all cases, however, this discretion is to be exercised in a manner consistent with your stated investment objectives.

We observe your stated investment objectives, limitations and restrictions when selecting securities and determining amounts. Our authority to trade securities may also be subject to your personal income tax considerations and certain federal securities laws and regulations. Investment objectives and restrictions must be provided to Financial Advisory Service in writing.

### ***Item 17 – VOTING CLIENT SECURITIES***

---

As a matter of firm policy and practice, we do not vote securities proxies on your behalf. Therefore, although we may provide investment advisory services concerning your assets, you maintain exclusive responsibility for receiving and voting proxies for any and all securities maintained in your accounts. Financial Advisory Service may provide advice to you regarding your voting of proxies.

For Schwab IIP accounts only, as described in the Schwab IIP Disclosure Brochure, clients enrolled in Schwab IIP designate SWIA to vote proxies for the ETFs held in their accounts. Financial Advisory Service does not proxies on your behalf.

We have directed SWIA to process proxy votes and corporate actions through and in accordance with the policies and recommendations of a third party proxy voting service provider retained by SWIA for this purpose. Additional information about this arrangement is available in the Schwab IIP Disclosure Brochure. Clients who do not wish to designate SWIA to vote proxies may retain the ability to vote proxies themselves by signing a special CS&Co form available from Financial Advisory Service.

### ***Item 18 – FINANCIAL INFORMATION***

---

Financial Advisory Service does not have any financial impairment that will preclude us from meeting contractual commitments to clients. A balance sheet is not required to be provided to you because we do not serve as a custodian for client funds or securities and we do not require prepayment of fees of more than \$1,200 per client, six months or more in advance.

Neither Financial Advisory Service nor any of its affiliates has ever been the subject of a bankruptcy petition at any time.

### ***Item 19 – REQUIREMENTS FOR STATE-REGISTERED ADVISERS***

---

Not Applicable.

# Financial Advisory Service, Inc.

## FAS Corp. *(our affiliate)*

### Customer Privacy Notice

#### ***Our Commitment to You...***

*We consider it our great privilege to serve your financial needs ... and we value the trust you have placed in us. An important component of our relationship with you is our commitment to safeguarding your personal information. This notice will help you understand the measures we take to protect the privacy and security of this information. Federal law requires us to tell you how we collect, share and protect your personal information. Please read this notice carefully.*

#### ***Information We Collect and How It Is Used***

As part of providing you with financial services or products, we may obtain information about you from applications, forms and other information you provide us, whether in writing, in person, by telephone, electronically or by other means. This information may include your name, address, social security number, date of birth, employment information, income and credit references, or credit history (i.e. *Non-Public Personal Information*). Your information we receive will be used only for our everyday business purposes such as to process your transactions, maintain your account(s) and to provide you with the services and products we offer.

#### ***Information We Disclose and Why***

We do not disclose the nonpublic personal information we collect about our customers to anyone except: (i) in furtherance of our business relationship with them and then only to those persons necessary to effect the transactions and provide the services you authorize (such as broker-dealers, custodians, independent managers, insurance agencies, etc.); (ii) to persons assessing our compliance with industry standards (e.g. professional licensing authorities, etc.); (iii) our attorneys, accountants, and auditors; or (iv) as otherwise provided by law.

We are permitted by law to disclose customer nonpublic personal information about you to third parties in limited circumstances where disclosure is required by legal or administrative proceeding or permitted under applicable law. At the customer's request, we may also disclose customer information to third parties such as the customer's accountant or attorney.

If we provide nonpublic personal information to companies providing services to us, these third parties receiving such information are prohibited to use or share the information for any other purpose.

#### ***Security of Your Information***

We maintain physical, electronic, and procedural safeguards to protect customer information. Access to customer information is limited to those employees who need the information to properly service and maintain accounts. All of our employees sign a *Confidentiality Agreement* not to disclose customer information. We do not market your information. Federal law gives you the right to limit only sharing for affiliates' everyday business purposes – information about your creditworthiness; affiliates from using your information to market to you and sharing for non-affiliates to market to you.

#### ***Amendments and Former Customers***

If at any time in the future it becomes necessary for us to disclose any nonpublic personal information in any manner inconsistent with this policy, we will provide our customers advanced notice of the change to allow the customer the opportunity to opt out of any disclosure. We reserve the right to amend our policy from time to time and will notify you of any significant changes. If you decide to terminate your relationship with us, we will continue to adhere to the privacy policies as set forth in this Statement, subject to future revisions.

#### ***Contact Information***

Please call us at 913.239.2300 or email at [info@faskc.com](mailto:info@faskc.com) with any questions or comments. At all times, you may view our current privacy policy on our website at [www.faskc.com](http://www.faskc.com).