

# **PART 2A OF FORM ADV FIRM BROCHURE**

**September 26, 2017**



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This brochure provides information about the qualifications and business practices of Larson Financial Group, LLC. If you have any questions about the contents of this brochure, please email [ComplianceDepartment@LarsonFinancial.com](mailto:ComplianceDepartment@LarsonFinancial.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Additional information about Larson Financial Group, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 | Material Changes**

This Firm Brochure, dated 09/15/2017, is an update to Larson Financial Group, LLC's ("LFG") annual disclosure document.

Material changes since this brochure's last annual amendment dated August 18, 2017, include:

- Item 14 – added disclosure regarding LFG entering into client referral agreements with non-affiliated entities

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## Item 4 | Advisory Business

Larson Financial Group, LLC is a wholly owned subsidiary of Larson Financial Holdings, LLC. Larson Financial Group, LLC ("LFG" or "the Firm") has been a SEC-registered investment advisor since 2006 and is headquartered in Saint Louis, Missouri. Financial planning and other investment advisory services are provided to individual clients, organizations, trusts, and various for-profit and non-profit entities with a focus toward doctors and related businesses through independently contracted investment advisors.

Larson Financial Group, LLC offers the following advisory services to clients:

### INVESTMENT ADVISORY SERVICES AND MODEL PORTFOLIO MANAGEMENT

Larson Financial Group, LLC provides financial planning services independently or in combination with investment management. Continuous advice is provided to clients regarding the investment of funds based on the client's individual needs. Through Investment Advisor Representatives' ("IAR") personal discussions with clients and prospects, specific goals and objectives are established and personal investment policies are developed. From this personal investment policy, a model allocation is chosen for implementation and management. During the data-gathering process, the investment advisor determines the client's individual objectives, time horizons, risk tolerance, and liquidity needs. The client's prior investment history, family composition and background are taken into consideration.

Advisory accounts are managed on a discretionary or non-discretionary basis. Account supervision is guided by the client's stated objectives (e.g.: capital appreciation, growth, income, or growth and income), as well as tax considerations. Once the IAR determines the suitability of the portfolio, and the client agrees, the portfolio is managed based on the stated goals (e.g.: retirement, education, etc). Securities may be held in the name of the custodian with individual ownership of all securities retained by the client. Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors.

Investment recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company and will generally include advice regarding the following securities:

- Exchange-listed securities
- Securities traded over-the-counter
- Certificates of deposit
- Municipal securities
- Variable and term life insurance
- Variable annuities
- Mutual fund shares
- Interests in businesses and partnerships
- Pooled investment vehicles, private equity funds
- Disability insurance

Because some types of investments involve certain additional degrees of risk, they will only be implemented/recommended when consistent with the client's stated investment objectives, tolerance for risk, liquidity and suitability.

Larson Financial Group, LLC provides portfolio management services to clients using model asset allocation portfolios. Each model portfolio is designed to meet a particular investment goal as outlined below.

<b><u>Model Name</u></b>	<b><u>Equity/Debt Ratio</u></b>	<b><u>Model Description</u></b>
Risk Averse I	20/80	Primary objective is capital preservation
Risk Averse II	30/70	Primary objective is capital preservation with modest amount of income
Conservative I	40/60	Primary objective is income with a modest amount of growth
Conservative II	50/50	Primary objective is income with increased amount of growth
Moderate I	60/40	Primary objective is growth and income
Moderate II	70/30	Primary objective is increased growth with a modest amount of income
Aggressive I	80/20	Primary objective is growth
Aggressive II	90/10	Primary objective is increased growth
Highly Aggressive	100/0	Primary objective is maximum growth

To ensure that a portfolio remains suitable for a particular client and that the account continues to be managed in a manner consistent with the client's known financial circumstances, IAR will

- Send periodic reminders to each client requesting any updated information regarding changes in the client's financial situation and investment objectives
- At least annually, contact each client to determine whether there have been any changes in the client's financial situation or investment objectives, and whether the client wishes to impose investment restrictions or modify existing restrictions
- Be reasonably available to consult with the client
- Maintain client suitability information in each client's file

## **DEFINED BENEFIT AND DEFINED CONTRIBUTION CONSULTING SERVICES**

The primary clients for the services described in this section are defined benefit and defined contribution plans; however, these services are offered, where appropriate, to individuals and trusts, estates, and charitable organizations. Defined Benefit and Defined Contribution Consulting Services are comprised of four distinct services. Clients may choose to use any or all of these services.

### **INVESTMENT POLICY STATEMENT PREPARATION ("IPS")**

IAR will meet with the client, in person or over the telephone, to determine an appropriate investment strategy which reflects the plan sponsor's stated investment objectives for management of the overall plan. IAR then prepares a written IPS detailing those needs and goals, including an encompassing policy under which these goals are to be achieved. The IPS also lists the criteria for selection of investment vehicles as well as the procedures and timing interval for monitoring of investment performance.

### **SELECTION OF INVESTMENT VEHICLES**

IAR may assist plan sponsors in constructing appropriate asset allocation models. The Investment Analysis team will then review various mutual funds (both index and managed) to determine which investments are appropriate to implement within the client's IPS. Clients can choose to transfer most of the fiduciary burden onto the firm by signing a 3(38) Service Agreement, or the client can share the fiduciary burden with the firm by signing a 3(21) Service Agreement. Under a 3(38) arrangement, LFG will select and monitor all plan investments using the IPS as a guideline. Under a 3(21) arrangement, the client will share with LFG the responsibility for selecting and monitoring plan investments using the IPS as a guideline.

### **MONITORING OF INVESTMENT PERFORMANCE**

LFG Investment Analysis team monitors client investments continually. Although LFG is not involved in any way in the purchase or sale of these investments, IAR and the Investment Analysis team monitor the plans' investment options and will make recommendations as market factors and plan needs dictate.

## **EMPLOYEE COMMUNICATIONS**

For defined benefit and defined contribution plan clients with individual plan participants exercising control over assets in their own account ("self-directed plans"), educational support and investment workshops designed for the plan participants may also be provided. The nature of the topics to be covered will be determined by the plan sponsor and IAR under the guidelines established in ERISA Section 404(c). The educational support and investment workshops will NOT provide plan participants with individualized, tailored investment advice or individualized, tailored asset allocation recommendations.

## **FINANCIAL PLANNING**

IAR provides financial planning services. Financial planning is a comprehensive evaluation of a client's current and future financial state by using currently known variables to predict future cash flows, asset values and withdrawal plans. Through the financial planning process, all questions, information and analysis are considered as they impact and are impacted by the entire financial and life situation of the client. Clients utilizing this service receive a customized financial plan designed to help achieve their financial goals and objectives.

In general, the financial plan can address any or all of the following areas:

- **GENERAL:** IAR may review family records, employment details, budgeting, personal liability, estate information and financial goals
- **TAX & CASH FLOW:** IAR may analyze the client's income tax and spending and planning for past, current and future years; then illustrate the impact of various investments on the client's current income tax and future tax liability
- **INVESTMENTS:** IAR may analyze investment alternatives and their effect on the client's portfolio
- **INSURANCE:** IAR may review existing policies to ensure proper coverage for life, health, disability, long-term care, liability, home and automobile
- **RETIREMENT:** IAR may analyze current strategies and investment plans to help the client achieve his or her retirement goals
- **DEATH & DISABILITY:** IAR may review the client's cash needs at death, income needs of surviving dependents, estate planning and disability income
- **ESTATE:** IAR may coordinate services with clients' legal counsel and existing estate plan and/or other long-term strategies, including living trusts, wills, estate tax, powers of attorney, asset protection plans, and other long-term considerations

IAR gathers required information through in-depth personal interviews. Information gathered include the client's current financial status, tax status, future goals, returns objectives and attitudes towards risk. Implementation of financial plan recommendations is entirely at the client's discretion. LFG and its representatives do not provide tax or legal advice. Should the client choose to implement the recommendations made, it is suggested the client work closely with their attorney and accountant.

Typically, the financial plan is delivered to the client within six months of the financial planning agreement's date, if all information needed to prepare the financial plan has been provided.

## **AMOUNT OF MANAGED ASSETS**

As of 12/31/2016, Larson Financial Group, LLC actively managed \$694,289,062 of clients' assets on a discretionary basis, \$344,110,388 of clients' assets on a non-discretionary basis, and oversaw \$3,034,496 of clients' assets managed by third party money managers.

## Item 5 | Fees and Compensation

### INVESTMENT ADVISORY SERVICES AND MODEL PORTFOLIO MANAGEMENT

Annual fees are based upon a percentage of assets under management and generally range from 0.70% to 1.75%. The annualized fees are charged in advance on a quarterly basis as a percentage of assets under management, and are either deducted from client assets or invoiced per the client's request, per the following schedule:

<u>Assets Under Management</u>	<u>Annual Fee</u>
\$0 - \$250,000	1.75%
\$250,001 - \$500,000	1.50%
\$500,001 - \$1,000,000	1.25%
\$1,000,001 - \$2,000,000	1.00%
\$2,000,001 - \$3,000,000	0.90%
\$3,000,001 - \$4,000,000	0.80%
\$4,000,001 - \$5,000,000	0.70%
\$5,000,001 and above	Negotiable

**Limited Negotiability of Advisory Fees:** Although LFG has established the aforementioned fee schedule, the Firm retains the discretion to negotiate alternative fees on a client-by-client basis. Client facts, circumstances and needs are considered in determining the fee schedule. These include the complexity of the client needs, assets to be placed under management, anticipated future additional assets, related accounts, portfolio style, account composition, and reports, among other factors. The specific annual fee schedule is identified in the contract between the advisor and each client. Discounts, not generally available to advisory clients, may be offered to family members and friends of associated persons of the Firm.

### DEFINED BENEFIT AND DEFINED CONTRIBUTION CONSULTING SERVICES FEES

Fees for Defined Benefit and Defined Contribution Consulting Services are based on a percentage of assets under advisement, according to the following schedule:

<u>Assets Under Advisement</u>	<u>Annual Fee</u>
\$0 - \$250,000	1.75%
\$250,001 - \$500,000	1.50%
\$500,001 - \$1,000,000	1.25%
\$1,000,001 - \$2,000,000	1.00%
\$2,000,001 - \$3,000,000	0.90%
\$3,000,001 - \$4,000,000	0.80%
\$4,000,001 - \$5,000,000	0.70%
\$5,000,001 and above	Negotiable

Plan sponsors are invoiced as agreed upon, in advance monthly or at the beginning of each calendar quarter.

### FINANCIAL PLANNING FEES

LFG's Financial Planning fee is determined based on the nature of the services being provided and the complexity of each client's circumstances. All fees are agreed upon prior to entering into a contract with any client.

Financial Planning fees may be calculated and charged on a fixed fee basis, generally ranging from \$1,500 to \$20,000 annually, depending on the specific arrangement reached with the client.

A retainer may be requested upon completion of the initial fact-finding session with the client.



The payment of fees can be structured in multiple ways, based upon an agreed upon schedule. The client may be billed in arrears on a quarterly or annual basis. Financial planning services and fees are annually renewable and typically automatically renew each year.

## **GENERAL INFORMATION**

The Firm is committed to providing excellent personal financial planning and concierge service to all clients. However, should the relationship dissolve, the following guidelines are expressed to the client in the Firm's agreements and disclosures.

### **TERMINATION OF THE ADVISORY RELATIONSHIP**

A client agreement may be canceled at any time, by either party, for any reason upon receipt of written notice. As disclosed above, certain fees are paid in advance of services provided. Upon termination of any account, any prepaid, unearned financial planning fees paid over the prior twelve months or investment management fees charged but unearned will be promptly refunded upon client's written request. In calculating a client's reimbursement of fees, LFG will pro rate the reimbursement according to the number of days remaining in the billing period.

### **MUTUAL FUND FEES**

All fees paid to LFG for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and/or ETFs to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. A client could invest in a mutual fund directly, without using LFG services. In that case, the client would not receive the services provided by LFG which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and LFG fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

### **ADDITIONAL FEES AND EXPENSES**

In addition to advisory fees, clients are also responsible for the fees and expenses charged by custodians and imposed by broker dealers, including, but not limited to, any transaction charges imposed by a broker dealer with which an independent investment manager affects transactions for the client's account(s). Please refer to the "Brokerage Practices" section (Item 12) of this Form ADV for additional information.

### **ERISA ACCOUNTS**

LFG is deemed to be a fiduciary to advisory clients that are employee benefit plans or individual retirement accounts (IRAs) pursuant to the Employee Retirement Income and Securities Act ("ERISA"), and regulations under the Internal Revenue Code of 1986 (the "Code"), respectively. As such, LFG is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include among other things, restrictions concerning certain forms of compensation. To avoid engaging in prohibited transactions, LFG may only charge fees for investment advice about products for which the firm and/or related persons do not receive any commissions or 12b-1 fees, or conversely, investment advice about products for which the firm and/or related persons receive commissions or 12b-1 fees, however, only when such fees are used to offset LFG's advisory fees.

### **ADVISORY FEES IN GENERAL**

Clients should note that similar advisory services may (or may not) be available from other registered (or unregistered) investment advisors for similar or lower fees.

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

LFG does not charge performance-based fees.

## Item 7 | Types of Clients

LFG provides advisory services to the following types of clients:

- Individuals (other than high net worth individuals)
- High net worth individuals
- Pension and profit sharing plans (other than plan participants)
- Charitable organizations
- Corporations or other businesses not listed above

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

### METHODS OF ANALYSIS

Some or all of the following methods of analysis may be used in formulating investment advice and/or managing client assets:

#### ASSET ALLOCATION

Rather than focusing primarily on securities selection, the Investment Analysis team and IAR attempt to identify an appropriate ratio of exposure to equities, fixed income, and cash equivalents suitable to the client's investment goals and risk tolerance.

A risk of asset allocation strategy is that the client may not fully participate in sharp increases in a particular security, industry or market sector. Another risk is that the ratio of securities, fixed income, and cash equivalents will change over time due to market movements and, if not corrected, the client's portfolio may no longer be representative of the client's tolerance for risk.

#### MUTUAL FUND AND/OR ETF ANALYSIS

The Investment Analysis team evaluates the philosophy, strategy, and track record of the mutual fund or Exchange Traded Fund ("ETF") to identify funds anticipated to deliver results consistent with the stated LFG investment strategies. Further, the funds or ETFs are monitored to ensure they remain aligned with LFG's investment strategies and philosophy.

The investment analysis team selects fund families based on their investment philosophy. The types of fund families that are sought include fund families that subscribe to the efficient market hypothesis, utilize the factor approach, and/or are relatively low cost in relation to their peer group.

Individual funds are selected based on their ability to provide specific and consistent exposure to different segments of the market. Other metrics that are evaluated include turnover ratio, total number of holdings, and price to book ratio. In most cases, funds with low turnover, a high number of holdings, and low price to book ratio are preferred.

A risk of mutual fund or ETF analysis is that, past performance does not guarantee future results. A fund that has historical success may not replicate that success in the future. In addition, multiple funds held by a client may overlap in identical positions held, thus increasing the risk to the client of exposure to a specific security. There is also a risk the

fund may deviate from the stated investment mandate or strategy, which could make the holding(s) less suitable for the client's portfolio.

### **RISKS FOR ALL FORMS OF ANALYSIS**

Investment analysis methods used rely on being provided accurate information by companies whose investments are purchased and sold, the rating agencies that review these securities, and other publicly-available sources of information. There is always a risk that the firm analysis may be compromised by inaccurate or misleading information.

### **INVESTMENT STRATEGIES**

LFG utilizes Modern Portfolio Theory when formulating recommendations. The Firm's goal is to implement Modern Portfolio Theory through the use of passive investment strategies. The Investment Analysis team rebalances as needed to ensure the client's portfolio remains in-line with client's stated investment risks, timeline, financial objectives and other relevant considerations.

Securities are purchased with the intent of holding them for one year or longer. Typically, this strategy is employed when the objective for the client is to have exposure to a particular asset class over time regardless of the current market projections for the asset class. Using a buy and hold strategy, transaction and custodian costs should be reduced compared to frequent trading strategies. LFG believes the markets are efficient and client returns are expected to be commensurate with the level of risk taken in a portfolio. Although risk is inherent in all investments, diversified portfolios are employed through passively managed mutual funds. However, diversification does not guarantee against market loss.

Another risk in a long-term purchase strategy is while holding the security for a long period of time short term gains may not be realized. In addition, a security may decline sharply in value before a decision to sell is executed.

### **RISK OF LOSS**

Investments are not guaranteed and money may be lost.

## **Item 9 | Disciplinary Information**

The Firm is required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of advisory business or the integrity of firm management.

An IAR of the Firm, without admitting or denying the findings, consented to the sanctions and to the entry of findings that from February 2012 to November 2013, he corresponded with six customers about variable universal life insurance ("VULI") policies, comparing the policies to buying term life insurance and investing the difference in a taxable brokerage account, and also sending reprints of articles about VULI policies to some of the customers. However, the comparisons did not contain all of the required disclosures and illustrations. None of the Firm's principals had approved the reprints. The correspondence and reprints also contained certain inaccurate or incomplete statements that he failed to clarify or qualify.

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

Certain management personnel and investment advisor representatives of LFG are separately licensed as registered representatives of Larson Financial Securities, LLC, an affiliated broker-dealer. These individuals, in their separate capacity, can affect securities transactions for which they will receive separate, yet customary compensation.

As required, any affiliated investment advisors are specifically disclosed in Section 7.A. on Schedule D of Form ADV, Part 1. (Part 1 of LFG's Form ADV can be accessed by following the directions provided on the Cover Page of this Firm Brochure.) Management persons or associates of LFG also have ownership in the following affiliated companies:

- Larson Financial Holdings, LLC ("LFH"): owned by Paul D. Larson, Thomas S. Martin, Timothy S. Beldner, and Jacob J. Whipp, all Investment Advisor Representatives and FINRA Registered Representatives.

#### SUBSIDIARIES OF LFH:

- Larson Financial Securities, LLC, a registered broker-dealer
- Larson Financial Group, LLC, registered investment advisor and insurance agency
- Larson Capital Management, LLC, a private equity management company operating
  - Larson Capital Fund I, LP
  - Larson Capital Fund II, LLC
  - Larson Capital Fund III, LLC
  - Larson Capital Fund IV, LLC
- MedInsure Group, LLC (formerly known as Larson Financial Brokerage, LLC) a medical malpractice insurance and property & casualty insurance brokerage
- MedRealty, LLC (formerly Emmanuel Real Estate Group, LLC) real estate management, commercial and residential sales, and leasing company
- Premier Doctor Consultants, LLC a practice and employment consulting firm for doctors
- Doctors Without Quarters, LLC a student loan advisory company
- Doctors Only, LLC a company which coordinates with other companies to provide professional services for doctors
- Medicus Business Solutions, LLC (d/b/a Practice Dx) provide technology and software for medical practices

Non-affiliated companies owned by related persons:

- Larson Financial Leasing, LLC (auto leasing) Owned by management person Paul Larson
- Branson Lake Properties, LLC (Antlers Resort) Owned by Paul Larson and Tom Martin

The services offered by the above affiliated companies are separate and distinct from LFG advisory services. Clients are advised that the firm's advisory associates, may receive referral compensation if affiliated company services are engaged by the client. Furthermore, clients are advised that the recommendation for using affiliated company services may represent a conflict of interest. The firm emphasizes in its engagement agreement that all clients have complete discretion in deciding whether or not to use the services of an affiliated company or invest therein. None of the affiliated companies have the authority to sign checks or otherwise disburse funds on any advisory client's behalf.

Clients should be advised that Larson Capital Management, LLC ("LCM"), is the management company for a series of private equity funds (the "Fund(s)"). If an LFG client meets the requirements of an "accredited investor" and the investment meets the specific client's objectives and best interest, a LFG Advisor may recommend the client invest in an LCM Fund. This arrangement creates a material conflict of interest in that the LFG Advisors have a vested interest in the success of the Funds. In addition, LCM and its management persons may receive customary compensation related to the management of the LCM Funds. Any potential investors are provided with additional disclosures which clearly describe this conflict of interest and must acknowledge with their signature both their acceptance of such conflicts and their intentions to proceed with the investment.

Management person, Paul D. Larson, is a director of Larson Financial Foundation ("LFF"). LFF is a 501(c)(3) non-profit organization and was created with the purpose of stimulating economic development in distressed areas of under-developed locations. It seeks to accomplish this by creating for profit businesses that meet a critical need in those areas. Clients are advised that LFF and the companies that it starts are separate and distinct entities from LFG and that the firm's relationship with LFF should not be construed as a recommendation to invest in any LFF companies.

IARs of LFG, as independent contractors, are also agents for various insurance companies. As such, these individuals are able to receive separate, yet customary commission compensation resulting from implementing product transactions on behalf of advisory clients. Clients, however, are not under any obligation to engage these individuals when considering implementation of advisory recommendations. The implementation of any or all recommendations is solely at the discretion of the client.

Clients should be aware that the receipt of additional compensation by LFG and its management persons or agents may create a conflict of interest that may impair the objectivity of the firm and these individuals when making advisory

recommendations. LFG endeavors at all times to put the interest of its clients first as part of the fiduciary duty as a registered investment advisor. The following steps are taken to address this conflict:

1. Disclosure to clients the existence of all material conflicts of interest, including the potential for the Firm and associated persons to earn compensation from advisory clients in addition to the Firm's advisory fees;
2. Disclosure to clients that they are not obligated to purchase recommended investment products from associated persons or affiliated companies of LFG;
3. LFG collects, maintains and documents accurate, complete and relevant client background information, including the client's financial goals, objectives and risk tolerance;
4. LFG's supervisory personnel conduct reviews of client account(s) to verify that recommendations made to a client meet their stated objectives;
5. Requirement that advisory associates seek prior approval of any outside business activity so that it may be ensured that any conflicts of interests in such activities are properly addressed;
6. Periodically monitor reported outside business activities; and,
7. Provide education to advisory associates regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to clients.

Any potential conflicts of interest with associated persons are addressed through the Firm's Code of Ethics, Written Supervisory Procedures and continuing education and training. All registered persons receive ongoing continuing education which include courses on ethics. Annually, IARs and employees attest to having read, understood and agree to abide by the Firm's Code of Ethics which states "LFG has an affirmative duty of utmost good faith to act solely in the best interest of its clients."

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

LFG has adopted a Code of Ethics ("Code") which sets forth ethical standards of business conduct that are required of access persons, including compliance with applicable federal securities laws. LFG and associated personnel owe a duty of loyalty, fairness and good faith towards clients, and have an obligation to adhere not only to the specific provisions of the Code but to the general principles that guide the Code.

The Code includes policies and procedures for the review of quarterly securities transaction reports as well as initial and annual securities holding reports that must be submitted by the Firm's access persons. Among other things, the Code also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. The Code also provides for oversight, enforcement and recordkeeping provisions.

LFG's Code further includes the firm's policy prohibiting the use of material non-public information. All associated persons are reminded that such information may not be used in a personal or professional capacity.

A copy of LFG's Code of Ethics is available to advisory clients and prospective clients. A copy may be requested by email sent to [compliance@larsonfinancial.com](mailto:compliance@larsonfinancial.com), or by calling (314) 787-7436.

LFG and individuals associated with the firm are prohibited from engaging in principal transactions (trading on behalf of the firm).

LFG and individuals associated with the firm are prohibited from engaging in agency cross transactions (transactions between clients of the firm).

The Code is designed to assure that the personal securities transactions, activities and interests of associated persons will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing associated persons to invest for their own accounts.

LFG and individuals associated with the Firm may buy or sell for their personal accounts securities identical to or different from those recommended to clients. In addition, any related person(s) may have an interest or position in a certain security(ies) which may also be recommended to a client.

It is the expressed policy of LFG that no associated person may purchase or sell any security prior to a transaction(s) being implemented for an advisory client account, thereby preventing such associated person(s) from benefiting from transactions placed on behalf of advisory accounts.

As these situations represent actual or potential conflicts of interest to clients, the following policies and procedures have been established for implementing the Firm's Code, to ensure compliance with regulatory obligations and provide clients and potential clients with full and fair disclosure of such conflicts of interest:

1. No principal, employee or independent contractor of LFG may put his or her own interest above the interest of an advisory client;
2. No principal, employee or independent contractor of LFG may buy or sell securities for their personal portfolio(s) where their decision is a result of information received as a result of his or her association unless the information is also available to the investing public;
3. It is the expressed policy of the firm that no principal, employee or independent contractor may purchase or sell any security prior to a transaction(s) being implemented for an advisory account. This prevents such persons from benefiting from transactions placed on behalf of advisory accounts;
4. LFG requires prior approval for any IPO or private placement investments by principals, employees or independent contractors of the Firm;
5. Maintenance of a list of all reportable securities holdings for the Firm and anyone associated with this advisory practice that has access to advisory recommendations ("access person"). These holdings are reviewed on a regular basis by the Chief Compliance Officer or his/her designee;
6. Established procedures for the maintenance of all required books and records;
7. All clients are fully informed that IARs may receive separate commission compensation when effecting transactions during the implementation process;
8. Clients can decline to implement any advice rendered, except in situations where the Firm is granted discretionary authority;
9. All of LFG's principals, employees and independent contractors must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices;
10. Requirement of delivery and acknowledgement of the Code of Ethics by each supervised person and access person of LFG annually;
11. Established policies requiring the reporting of Code of Ethics violations to senior management; and,
12. Any individual in violation of any of the above restrictions may be subject to discipline up to and including termination.

As disclosed in the preceding section of this Brochure (Item 10), certain related persons of LFG are separately registered as securities representatives of a broker-dealer and licensed as insurance agents 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**

LFG exclusively utilizes Larson Financial Securities, LLC as broker-dealer. The principals of LFG are the same as the principals of Larson Financial Securities, LLC

Clients may include any limitations on discretionary authority in their Investment Policy Statement. Clients may change/amend these limitations as required. Such amendments must be provided to the Firm in writing.

LFG was granted access by Dimensional Fund Advisers ("DFA") to its mutual funds. DFA is a mutual fund company with over 96 funds and over \$460 billion of assets under management (as of December 31, 2016). LFG does benefit from using DFA funds. These benefits are common within the industry among those who choose to use DFA funds. Some of these benefits include:

- Attendance at seminars hosted by DFA at which the investment products of DFA are explained, academic instruction is given on asset allocation strategies and financial planning and practice management is given. LFG pays all of the travel and hotel costs for members and staff attending these seminars. DFA provided, at no

- charge to LFG or the other attendees at such seminars, items such as the use of facilities for the seminar, materials handed out and occasional meals;
- Access to the "financial adviser" portion of the DFA website ([www.dfaus.com](http://www.dfaus.com)), which contains additional academic research, practice management articles, newsletters, educational video presentations, software and investment returns data;
  - Use of the DFA Returns and DFA Allocation Evaluator software programs and accompanying data, which allows advisor and Investment Analysis teams to perform portfolio analysis for clients' accounts;
  - Research in the form of article reprints, DFA brochures and other print items; and,
  - Access to DFA team members in the form of guidance on practice management, research and communications in regards to DFA funds.

While LFG is under no obligation to recommend the use of DFA funds, the use of DFA funds aligns with LFG's core investment beliefs which are to provide clients access to quality investments, tools and research while keeping expenses down. LFG does not have any arrangements for monetary payment to or from DFA for inclusion of their funds in LFG clients' portfolios.

LFG participates in the institutional customer program offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member SIPC ("TD Ameritrade"), an unaffiliated SEC-registered broker-dealer and FINRA member. TD Ameritrade offers services to independent investment advisors which include custody of securities, trade execution, clearance and settlement of transactions. LFG receives some benefits from TD Ameritrade through participation in the program.

LFG participates in TD Ameritrade's Institutional customer program and TD Ameritrade may be recommended to clients for custody and brokerage services. There is no direct link between the Firm's participation in the program and the investment advice given to clients, although LFG may receive economic benefits through participation in the 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): duplicate client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving advisor participants; 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 LFG by third party vendors. TD Ameritrade may also pay for business consulting and professional services received by LFG's related persons and may also pay or reimburse expenses (i.e., including travel, lodging, meals) for LFG's personnel to attend conferences or meetings relating to the program. Some of the products and services made available by TD Ameritrade through the program may benefit LFG but may not benefit client accounts. These products or services may assist the firm in managing and administering client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help LFG manage and further develop the firm business enterprise. The benefits received by LFG through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. Clients should be aware, however, that the receipt of economic benefits by LFG or related persons in and of itself may create a potential conflict of interest and may indirectly influence recommendations of TD Ameritrade for custody and brokerage services.

LFG's receipt of additional services does not diminish the duty to act in the best interests of LFG clients, including seeking best execution of trades for client accounts.

LFG may recommend that clients establish brokerage accounts with the Schwab Institutional division of Charles Schwab & Co., Inc. ("Schwab"), a FINRA registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Although advisors may recommend that clients establish accounts at Schwab, it is the client's decision to custody assets with Schwab. LFG is independently owned and operated and not affiliated with Schwab.

Schwab provides LFG with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the advisor's clients' assets are maintained in

accounts at Schwab Institutional. These services are not contingent upon LFG committing to Schwab any specific amount of business (assets in custody or trading commissions). Schwab's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

For LFG client accounts maintained in its custody, Schwab generally does not charge separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees.

Schwab Institutional also makes available to LFG other products and services that benefit LFG but may not directly benefit clients' accounts. Many of these products and services may be used to service all or some substantial number of client accounts, including accounts not maintained at Schwab.

Schwab may make available, arrange and/or pay third-party vendors for the types of services rendered to LFG. Schwab Institutional may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to the firm. Schwab Institutional may also provide other benefits such as educational events or occasional business entertainment of LFG personnel. In evaluating whether to recommend or require that clients custody their assets at Schwab, consideration of the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors reviewed and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

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

Fidelity charges brokerage commissions and transaction fees for affecting 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 LFG 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 may be higher or lower than those charged by other custodians and broker-dealers. As part of the arrangement, Fidelity also makes available to LFG, 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 LFG (within specified parameters). These research and brokerage services presently include services such as research and are used by LFG to manage accounts for which investment discretion is maintained.

LFG may also receive reimbursement for educational meetings. As a result of receiving such services for no additional cost, there may be an incentive to continue to use or expand the use of Fidelity's services. This potential conflict of interest was examined when the Firm chose to enter into the relationship with Fidelity and the Firm determined that the relationship is in the best interests of LFG's clients and satisfies the Firm's client obligations, including the duty to seek best execution. A client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where it's determined in good faith that the commission is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, while LFG will seek competitive rates, to the benefit of all clients, the lowest possible commission rates may not necessarily be obtained for specific client account transactions. Although the investment research products and services that may be received will generally be used to service all of the Firm's clients; a brokerage commission paid by a specific client may be used to pay for research that is not used in managing that specific client's account. LFG and Fidelity are not affiliated.



## **Item 13 | Review of Accounts**

### **INVESTMENT ADVISORY SERVICES AND MODEL PORTFOLIO MANAGEMENT**

#### **REVIEWS**

Client portfolios are continually monitored by the Investment Analysis Team to ensure the current allocations are in line with the target allocations as defined by client objectives and risk tolerance. Client accounts are reviewed at least annually by the Investment Advisor Representative with the client, but many times this is done on a quarterly basis. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, the market events, political or economic environment.

#### **REPORTS**

In addition to the monthly statements and confirmations of transactions that clients receive from their custodian(s), quarterly reports summarizing portfolio performance, balances and holdings managed are also provided by LFG.

### **DEFINED CONTRIBUTION AND DEFINED BENEFIT PLAN CONSULTING SERVICES**

#### **REVIEWS**

The Investment Analysis team will review the client's Investment Policy Statement (IPS) when the client advises of a change in circumstances regarding the needs of the plan. Periodic reviews of the portfolio models are performed by the Investment Analysis Team.

#### **REPORTS**

In addition to the quarterly statements clients receive from their Third-Party Administrator, quarterly reports summarizing account performance, balances and holdings are also provided to the plan administrator.

### **FINANCIAL PLANNING SERVICES**

#### **REVIEWS**

While reviews of financial plans may occur at different stages depending on the nature of terms of the specific engagement, typically reviews of a client's financial plan are performed on an annual basis by the IAR; more frequent reviews may be conducted in appropriate circumstances or as specifically requested by the client.

#### **REPORTS**

Financial planning clients will receive a completed financial plan from their IAR. The completed financial plan may be provided through electronic means. Additional reports will not typically be provided unless otherwise requested by the client.

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

LFG does have a referral arrangement with Doctors Only, LLC. No direct compensation is paid to Doctors Only for referrals. However, in accordance with SEC rule 206(4)-3, both LFG and Doctors Only, LLC disclose the relationship to clients and prospects. LFG does pay membership fees to Doctors Only, LLC; however, no part of such fee is related to any referrals. Both Doctors Only, LLC and LFG are wholly owned by Larson Financial Holdings, LLC as described under Item 10 of this document. IARs that make referrals to the Doctors Only network are indirectly compensated on a quarterly basis. Such compensation is based strictly on a percentage of a discretionary fund determined by Doctors Only, LLC and the basis of the percentage is the number of referrals, and is in no way related to the value or other

characteristics of the referred party's potential business.

LFG has entered into agreements with third-party firms or persons in which LFG compensates such persons or firms for client referrals in compliance with the Investment Advisers Act. The fees paid to these referral sources do not affect the fees clients pay to LFG. In each instance, a written agreement exists between LFG and the referral source. At the time of a referral, prospective advisory clients will receive LFG's Form ADV Part 2 and a Solicitor's Disclosure Document. LFG has established policies and procedures to ensure that its solicitation activities are compliant with the requirements under Rule 206(4)-3 of the Investment Advisers Act.

## **OTHER COMPENSATION**

The Firm and LFG advisors may receive commissions from the sale of investment products, insurance products and other services through its affiliate broker-dealer, Larson Financial Securities, LLC during the implementation of a financial plan, creating the potential for a conflict of interest. Such potential conflicts are addressed through implementation of the Code of Ethics, Written Supervisory Procedures and continuing education and training. Disclosure of firm and advisor relationships and financial incentives are made to the client. Processes are in place to ensure that any recommended products are suitable for the specific client. The relationship with the affiliated broker-dealer and the financial incentives are expressly disclosed. Clients are also notified that they are not under any obligation to implement advisory recommendations or utilize a particular provider. The implementation of any and all recommendations is solely at the client's discretion.

## **Item 15 | Custody**

As previously disclosed in the "Fees and Compensation" section (Item 5) of this Brochure, LFG directly debits advisory fees from client accounts. As part of this billing process, the client's custodian is advised of the amount of the fee to be deducted from that client's account. On at least a quarterly basis, the custodian is required to send to the client a statement showing all transactions within the account during the reporting period. Because the custodian does not calculate the amount of the fee to be deducted by LFG, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact their IAR directly if they believe that there may be an error in their statement.

In addition to the periodic statements that clients receive directly from their custodians, IARs also send account statements directly to clients on a periodic basis. Clients are urged to carefully compare the information provided on these statements to ensure that all account transactions, holdings and values are correct and current. Clients should rely on the statement(s) from their qualified custodian(s) as the most accurate source of information with regard to funds and securities being held.

To provide full service to clients, LFG is a "custody" firm as defined by SEC Rule 206(4)-2. LFG is deemed to have custody of client's funds and securities and will continue to utilize "qualified custodians" to ensure the safety of those funds and securities. Although LFG has no plans to act as a qualified custodian, adopting a "custody" status allows the Firm to maintain client login information. LFG can then provide full service when reallocations of funds and securities are needed, as well as receive data downloads for report generating purposes. Custody status also gives the ability to accept credit cards as a means of payment for advisory services. Clients are advised to compare the qualified custodian statements to LFG provided statements. LFG complies with all of the provisions of SEC Rules regarding custody including 201(b) and (c) which requires an annual surprise audit by an accountant registered with the Public Company Accounting Oversight Board (PCAOB).

## **Item 16 | Investment Discretion**

During the application process, clients usually grant Limited Discretionary Trading Authority to an individual regarding their accounts accepted by LFG. Clients may limit, change or amend this authority by providing written instructions.

Limited discretionary trading authority includes the ability to do the following without contacting the client:

- Determine the security to buy or sell;
- Determine the amount of the security to buy or sell; and,
- Determine when to buy or sell.

## **Item 17 | Voting Client Securities**

As a matter of firm policy, LFG and IARs do not vote proxies on behalf of clients. Therefore, although LFG may provide investment advisory services relative to client investment assets, clients maintain exclusive responsibility for: (i) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (ii) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets. Clients are responsible for instructing each custodian of the assets, to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets.

LFG does not offer any consulting assistance regarding proxy issues to clients.

## **Item 18 | Financial Information**

LFG is not required to include a balance sheet with this Brochure since the Firm does not require or solicit payment of fees in excess of \$1,200 per client more than six months in advance of services rendered.

As an advisory firm, disclosure of any financial condition that is reasonably likely to impair its ability to meet contractual obligations is required. LFG has no additional financial circumstances to report.

LFG has not been the subject of a bankruptcy petition at any time.