



Form ADV Part 2A
Adam Financial Associates *Advantage*

Item 1 – Cover Page

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March 31, 2018

This Brochure provides information about the qualifications and business practices of Adam Financial Associates, Inc.

This Brochure describes the automated, online investment management platform services provided under the name **Adam Financial Associates *Advantage***, using Schwab Institutional Intelligent Portfolios™.

(We have a separate Brochure describing the **full-service investment advisory and financial planning services** provided by Adam Financial Associates. Persons interested in our full-service offering should review that separate Brochure.)

If you have any questions about the contents of this Brochure, please contact us at 2500 N. Military Trail, Suite 306, Boca Raton FL 33431 (telephone: 561-417-0001 or email: mari@adamfinl.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. Adam Financial Associates, Inc. is a SEC registered investment adviser. Registration of an Investment Adviser does not imply a certain level of skill or training.

Additional information about Adam Financial Associates, Inc. also is available on the SEC's website at www.adviserinfo.sec.gov.



Item 2 – Material Changes

This brochure is being updated as of March 31, 2018. The last previous annual brochure update was as of March 31, 2017. Regulatory rules require that we provide a summary of any material changes to this Brochure each year within 90 days of the close of our business's fiscal year. In addition, we will provide other ongoing disclosure information about material changes or an updated brochure as necessary.

A summary of material changes follows:

There have been no material changes.



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Item 4 – Advisory Business

Since 1995, Adam Financial Associates, Inc. (AFA) has specialized in providing customized investment advisory and financial planning services to individuals on a fee-only basis. The firm believes that fee-only investment advisory and financial planning services best ensure unbiased and objective advice for the client. The firm's founder and principal owner is Mari Adam.

On October 15, 2016, AFA launched a new line of portfolio management services called Adam Financial Associates ***Advantage*** ("***Advantage***"), which is AFA's low-cost automated investment management offering, using Schwab Institutional Intelligent Portfolios™ as its platform. Using ***Advantage***, AFA constructs and monitors model portfolios for the Client, selecting from a menu of over 900 currently available ETFs (Exchange Traded Funds) in 45 different asset classes and a cash allocation, all of which are offered to the Client with no transaction or other Schwab program fees. AFA uses integrated systems that determine the Client's investment objectives, risk tolerance, and investment strategy, and manages the Client's portfolio on a discretionary basis through automated rebalancing.

Schwab "Institutional Intelligent Portfolios™ (the "Program") is an automated investment management service offered by Schwab Performance Technologies ("SPT"), a software provider to independent investment advisors and an affiliate of Charles Schwab & Co., Inc. ("CS&Co"). The Program is available exclusively through independent investment advisory firms ("Advisors") that maintain a business relationship with Schwab Advisor Services™ for their clients who open or maintain brokerage accounts at Charles Schwab & Co., Inc. ("CS&Co"), an affiliate of SPT. Advisors are independent of and not owned by, affiliated with, or sponsored or supervised by SPT, CS&Co or their affiliates (together, "Schwab")."

This Brochure describes in detail the services provided under the name ***Advantage***. (A separate Brochure is available describing the full-service investment advisory and financial planning services of the Firm).

Through the ***Advantage*** Program, we offer clients a broad spectrum of model portfolio investment strategies we have designed and manage for clients, each consisting of a portfolio of exchange traded funds ("ETFs") and a cash allocation. The client's portfolio is held in a brokerage account opened by the client at Charles Schwab & Co., Inc. ("Schwab").



We are independent of and not owned by, affiliated with, or sponsored or supervised by Schwab. Clients have the opportunity to view and approve the **AFA Advantage** proposed portfolio before investing. We, and not Schwab, are the client's investment advisor and primary point of contact with respect to the Program. We are solely responsible, and Schwab is not responsible, for determining the appropriateness of the Program for the client, choosing a suitable investment strategy and portfolio for the client's investment needs and goals, and managing that portfolio on an ongoing basis.

We have contracted with Schwab to provide us with the technology platform and related trading and account management services for the Program. This platform enables us to make the Program available to clients online and includes a system that automates certain key parts of our investment process (the "System"). The System includes an online questionnaire that helps us determine the client's investment objectives and risk tolerance and select an appropriate investment strategy and portfolio. Clients should note that we will recommend a portfolio via the System in response to the client's answers to the online questionnaire. The client may then indicate an interest in a portfolio that is one level less or more conservative or aggressive than the recommended portfolio, but we then make the final decision and select a portfolio based on all the information we have about the client. The System also includes an automated investment engine through which we manage the client's portfolio on an ongoing basis through automatic rebalancing and tax-loss harvesting (if the client is eligible and elects).

Clients do not pay fees to Schwab in connection with the Program. AFA receives compensation from the Client for its investment advisory services as described below under Item 5.

Understanding the Differences between *Advantage* and AFA's Full-Service Approach

There are several differences between Adam Financial Associates' traditional, full-service approach and the **Advantage** program. Some of these differences are outlined below (see also Appendix A):

- **Range of services:** Our full-service approach includes portfolio management and financial planning services bundled together in one convenient and



comprehensive package. ***Advantage*** does not include financial planning services or advice. As such, ***Advantage*** is a more affordable solution for clients in need of professional portfolio management and expertise without the cost of add-on financial planning services. It is not appropriate for clients who require assistance with their cash flow or spending, retirement planning, college planning, tax planning, insurance planning, estate planning or other financial planning issues. Persons who pay for additional financial planning services in addition to using an automated investment program like ***Advantage*** may end up spending more, and receiving a lower level of service, than they would have using AFA's full-service offering.

- **Cost:** ***Advantage*** is offered at a lower price point. AFA's fee is a flat charge of 0.5% (0.005) of assets under management per year, subject to an annual minimum of \$125 per calendar quarter. There are no Schwab transaction or program costs for clients. Our traditional and more comprehensive services are normally offered at a higher price point, although in some cases may actually prove to be equally or less costly than ***Advantage*** due to lower fees on higher asset levels, negotiated rates, family discounts, or other incentives. Full-service clients have access to thousands of no-transaction-fee mutual funds and ETFs available to them without any purchase or sale cost; however, they may be charged a fee by Schwab (normally \$4.95) to purchase or sell other securities not available on a no-transaction-fee basis. Schwab platform offerings, transaction charges, and other features are subject to modification at any time at Schwab's discretion.
- **Investment Selection:** ***Advantage*** portfolios are constructed by AFA from a menu of over 900 currently available ETFs (Exchange Traded Funds) in 45 different asset classes and a cash allocation. At present, the only investments permitted in an ***Advantage*** account are those on the Schwab pre-determined menu. Clients are not permitted to independently trade or direct investments in ***Advantage*** accounts, and AFA may not select investments not on the menu. There is no guarantee that the "best" or most appropriate investment for the Client will be available to the Client under the program, or available in the optimal configuration, quantity, or time periods, due to program constraints. In contrast, our traditional, full-service approach permits a virtually unlimited investment menu, encompassing thousands



of stocks, bonds, mutual funds, ETFs and other securities, with unlimited customization potential by AFA, so AFA can best create the optimal portfolio and exercise the greatest flexibility with respect to trading, rebalancing, and tax harvesting.

- **Reduced Customization and Service:** *Advantage* is an online, automated platform with limited options, services and customization. The expectation is that Clients will perform many service functions on a “self-service” basis. In contrast, AFA’s traditional services are extremely customized, flexible and “full service.” They are therefore more suitable for clients seeking a higher level of service and customization, clients in retirement who require more complex retirement income flows and annual retirement monitoring, clients desiring more of a guided “educational” approach, and clients, services, and account types not currently accommodated under *Advantage*.

As of December 31, 2017, the last day of the previous calendar year, AFA had assets under management (AUM) of \$166,009,870 on a discretionary basis. No accounts were managed on a non-discretionary basis. As of that same date, AFA managed \$143,229 under the *Advantage* program.

Item 5 – Fees and Compensation

The minimum investment required by Schwab to open an account using *Advantage* is \$5,000. The minimum account balance to enroll in the tax-loss harvesting feature is \$50,000.

Clients do not pay fees or brokerage commissions to Schwab as part of the Program, nor do clients pay commissions on the transactions executed in the Program. Schwab does receive other revenues in connection with the Program. Brokerage arrangements are further described below in Item 12 Brokerage Practices. These revenue sources combine and cover any expenses, such as trading costs, which clients who invest in the same securities outside the program might have to pay separately. AFA does not receive any portion of this revenue.



Before engaging AFA's services under the **Advantage** - or any other - program, clients are provided with and sign a written agreement detailing fee schedules and the nature of services to be provided. Our fees are not set or supervised by Schwab. For ongoing investment management under the **Advantage** program, AFA is compensated for its investment advisory services with an annual percentage fee of 0.50% (or 0.125% each quarter), based on the market value of a client's investment account, subject to a minimum of \$125 per calendar quarter (the minimum may be waived at AFA's discretion, as described below).

Investment management fees are deducted from the client's asset management account on a quarterly basis. The investment advisory contract may be terminated by either party at any time and fees are prorated and refunded accordingly. In the event of termination, any paid but unearned fees will be promptly refunded to the client based on the number of days that the account was managed, and any fees due to **AFA Advantage** from the client will be deducted from the client's account prior to termination.

AFA may provide customized fee arrangements or discounts from the above schedule in certain cases, depending on the client's situation, including a waiver of minimum quarterly fees for existing, pro bono, or other "friends and family" clients. At no time have "assets under management" fees exceeded those indicated on the published fee schedule. In all cases, an individual client's specific fee schedule is delineated in their written agreement, or other written addendums.

The client may incur other costs in addition to AFA's fees. For example, exchange traded funds selected for a client's portfolio normally charge their shareholders a management fee and fund expenses, as described in each ETF's prospectus or offering materials. The client should review all fees charged by ETFs, AFA **Advantage** and others to fully understand the total amount of fees paid by the client for investment and financial-related services.

AFA does not pay any fees to Schwab for its services in the Program so long as we maintain \$100 million in client assets in accounts at Schwab that are not enrolled in the Program. If we do not meet this condition, then we pay Schwab an annual fee of 0.10% (10 basis



points) on the value of our clients' assets in the Program. This may represent an incentive to AFA to maintain at least \$100 million in Client assets in our full-service program.

Fees and services offered under AFA's full service platform differ in important ways from those of AFA **Advantage**. Clients and prospects should consult AFA's Disclosure Documents for both services to fully compare and contrast the offerings. An abbreviated comparison is also offered as APPENDIX A of this document, titled "Comparison of AFA **Advantage** and Full Service Offerings."

Item 8, Item 12 and Item 16 further describe normal investment fees and expenses, as well as the factors that Adam Financial Associates, Inc. considers in selecting or recommending broker-dealers or platforms like Schwab.

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

Adam Financial Associates, Inc. does not charge any performance-based fees (fees based on a share of capital gains or capital appreciation of the assets of a client) nor does it participate in any side-by-side arrangements.

Item 7 – Types of Clients

Types of clients eligible to use **Advantage** and the Schwab Institutional Intelligent Portfolios™ platform are determined by Schwab. That list is revised periodically. At present, Individual, Custodial, Community Property, Joint Tenants, Tenants in Common, Contributory IRA, Roth Contributory IRA, Rollover IRA, SEP IRA, SIMPLE IRA, and Revocable Living Trusts (with identical grantor and trustee) may use **Advantage** and Schwab Institutional Intelligent Portfolios™, however additional types of clients may be added in the future by Schwab entirely at its discretion.

Clients that are organizations (such as corporations and partnerships) or government entities, and clients that are subject to the Employee Retirement Income Security Act of 1974, are not currently eligible for the Program.

See Item 5 for additional information on minimum account size.



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

Investment Strategies Used to Formulate Investment Advice

AFA normally endorses a long-term "buy-and-hold," broadly diversified investment strategy in the belief that it is efficient and cost-effective, will produce the highest returns for clients, and is most likely to ensure consistency with the client's individually tailored investment profile. However, on occasion and when called for by both market conditions and the client's investment goals, AFA may recommend the use of other investment approaches such as more short-term tactical asset reallocations. Clients should be aware that regardless of the investment strategy used, investing in securities involves a risk of loss that clients should be prepared to bear. The likelihood of loss may be greater if clients invest for a shorter period of time.

Each exchange-traded fund sends clients a prospectus detailing the types of potential risks that may be encountered with that investment. A typical bond fund may present potential market risk, credit risk, interest rate risk, liquidity risk, and other types of risk that are explained more fully within the prospectus. A typical stock fund may present potential market risk due to the volatility of the stock market, in addition to specific risks due to the focus of the stock fund on a particular market segment like small or mid-size companies, foreign or emerging market companies, real estate companies, or another narrow industry segment. Investors should read the investment prospectuses carefully and discuss any concerns they may have with AFA.

Clients who retain AFA to develop an investment portfolio designed to address their long-term life goals, such as retirement, are expected to remain committed to that portfolio strategy for the longer term. AFA does not endorse and does not follow a short-term market-timing strategy. Potential clients who cannot "stay the course" for a longer period of time, and who are frequently tempted to change their portfolio strategy based on short-term market movements, are not a good fit for our firm and are strongly encouraged to look elsewhere for investment advice.



Client portfolios are designed to match a client's investment profile and goals and objectives with the appropriate investment mix (taking into consideration, for example, risk tolerance, return targets, time horizon, tax situation, income needs, etc.).

Selection of Investments

Advantage portfolios are constructed by AFA, selecting from a menu of over 900 currently available ETFs (Exchange Traded Funds) in 45 different asset classes and a cash allocation, all of which are offered to the Client with no transaction or other Schwab program fees. There is a minimum 4% cash holding required for each portfolio to facilitate rebalancing and transactions. The cash, held in Charles Schwab Bank, is FDIC-insured and pays an indexed, market-based interest rate.

Portfolios are available with taxable and tax-exempt fixed income orientations. AFA currently offers a spectrum of 12 model portfolios, ranging from the most conservative to the most aggressive, corresponding to the Client's risk tolerance and investment objectives.

Main Sources of Information

AFA's main sources of information may include general and financial media (such as newspapers, magazines, and on-line services), research and informational materials provided by others (such as subscription and database services, and institutional investment managers), corporate rating services, annual reports, prospectuses, company press releases, and other sources such as professional conferences, meetings and educational training. AFA often obtains first-hand information from portfolio managers and other investment professionals through personal discussions, teleconferences or seminars.

With respect to in-house staff providing investment advice, AFA requires advanced investment and personal financial training, practical experience in investment management and financial planning, coupled with ongoing continuing education and training. For example, in the most recent reporting period, AFA's principal officer completed almost twice as many hours of formal continuing education as were needed to



satisfy Certified Financial Planner ongoing requirements (well in excess of the 30 hours required), in addition to additional hours to maintain insurance licenses.

Risks of Loss

While ***Advantage*** seeks to diversify clients' investment portfolios across various asset classes consistent with their Investment Plans in an effort to reduce risk of loss, all investment portfolios are subject to risks. Asset allocation may be used in an effort to manage risk and enhance returns. It does not, however, guarantee a profit or protect against loss. Performance of the asset allocation strategies depends on the underlying investments. Accordingly, there can be no assurance that client investment portfolios will be able to fully meet their investment objectives and goals, or that investments will not lose money.

Furthermore, different types of investments involve varying degrees of risk. Past performance may not be indicative of future results. Therefore, current and prospective clients should never assume that future performance of any specific investment or investment strategy will be profitable. Clients should ensure that they understand and are comfortable with risks, and understand both the advantages and limitations of an automated trading platform.

Investors normally face the following investment risks, among others:

Market Risk: Market risk (also known as systematic risk) generally affects most or all securities in the marketplace, which means that this risk cannot be fully diversified away. Some common factors that broadly affect securities are changes in interest rates, inflation, currency exchange rates, and the political and economic environment. Security prices, and especially equity prices, can fluctuate dramatically in response to these developments. Different companies and different asset classes (such as cash, bonds, and equities) can react differently to these developments. The worst effects of market risk can be avoided by investing across asset classes that tend to perform differently under the same market and economic factors and investing over a long-time horizon.

Business or Industry Risk: These are the risks associated with an entire industry or a particular company within an industry. An entire industry or type of business may be affected by adverse political, tax or economic events.



Exchange Traded Fund (ETF) Risk: Exchange Traded Funds (ETFs) are subject to market risk, including the possible loss of principal. The value of the portfolio will fluctuate with the value of the underlying securities. ETFs trade like a stock, and may trade for less than their net asset value. ETFs may have underlying investment strategy risks similar to investing in commodities, bonds, real estate, international markets or currencies, emerging growth companies, or specific sectors, and may also be affected by liquidity risk.

Credit Risk: A fixed income security, like a bond, is essentially a promise to pay interest and principal at a later time. The possibility that the issuer of the fixed income security will fail to honor that promise represents credit risk, and the perception or reality of credit risk can cause bond prices to decline and the investor's return to diminish.

Cybersecurity Risk: The risk that technology systems may be vulnerable to inadvertent or deliberate interruption from technical or human sources, natural catastrophes, service/power outages, network or telecommunication failures, or security breaches, resulting in damage, disruption, and theft of data, including investor information.

Foreign Investment Risk: Investing in foreign countries or companies poses additional risks since political and economic events unique to a country or region may affect those markets and their issuers. In addition to such general international risks, the portfolio may also be exposed to currency fluctuation; different standards and levels of accounting, financial reporting, investor protection, and liquidity; and the heightened risks encountered when investing in non-US securities whether in developed or emerging countries.

Inflation Risk: Inflation risk is the risk of decline in the purchasing power of the client's income and assets due to a general rise in prices. Investments may not always increase in value sufficiently to preserve the investor's purchasing power.

Interest Rate Risk: Fluctuations in interest rates may cause the prices of all investments, and especially debt securities, to fluctuate and potentially lose value. The risk is more acute in an environment of rising rates.

Liquidity Risk: Liquidity refers to the speed and ease with which an asset can be sold and converted into cash. The most liquid securities can be sold easily, quickly and at a fair price. In highly volatile markets, certain securities may become less liquid, which means they



cannot be sold as quickly or easily, or at an acceptable price due to a lack of demand or impaired markets. Difficulty in selling securities may result in a loss or reduced return.

Management Risks: The value of client investment portfolios will change daily based on the performance of the underlying securities in which they are invested. Poor security or money manager selection could cause the client's portfolio to underperform their relevant indexes.

Any changes to a client's personal and/or financial situation or investment objective should be communicated to AFA in writing, so that any adjustments to the investment portfolio for the client may be implemented.

Item 9 – Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of the firm or its integrity. Adam Financial Associates, Inc. has no information to report applicable to this Item.

Item 10 – Other Financial Industry Activities and Affiliations

AFA President Mari B. Adam is licensed in the state of Florida as a Life and Variable Annuity and Health Insurance Agent (2-15), which under Florida law permits AFA to evaluate and offer to clients insurance products and services. AFA feels this is an important enhancement to its existing client services, since it provides an alternative to traditional, high-commission insurance delivery systems. Nonetheless, the firm expects insurance activities to continue to occupy an extremely minor role, compared to its overall investment and financial planning services. When insurance products or services are indicated for a client's situation, AFA's policy is to work with the client's existing agent, or coordinate with another outside independent agent, or work in-house to obtain the most appropriate product or service for the client at the lowest price through the use of term, no-load or low-load offerings. When working with the client's agent or another



independent agent, AFA does not receive any compensation. If AFA serves as the insurance agent, it may be entitled to receive an insurance commission payment. AFA has appointments (agent relationships) with various insurance companies for the purpose of allowing AFA to offer term life, disability, long-term care and medical insurance to clients requiring coverage. Active appointments are required to maintain an insurance license in force.

AFA's insurance services are not relevant to ***Advantage*** clients as ***Advantage*** services do not include any financial planning or insurance advice.

AFA is not registered as a securities broker-dealer, nor does it have material affiliations with a broker-dealer or other party. It frequently uses Charles Schwab and Co., Inc., a discount broker, to provide custodial account services to clients, having selected Schwab on the basis of its client service and price package, but does not receive compensation from Schwab or any other broker, adviser, or professional in return for client business. AFA believes its independence allows it to reduce potential conflicts of interest and ensure that the client's interests always come first. All ***Advantage*** services are currently provided through Schwab using their Institutional Intelligent Portfolios™ platform.

Item 11 – Code of Ethics and Personal Trading

Our firm has adopted a Code of Ethics which sets forth ethical standards of business conduct that we require of our employees, including compliance with applicable state and federal securities laws.

AFA and our personnel owe a duty of loyalty, fairness and good faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code.

AFA principals and staff may on occasion buy or sell for their own accounts securities and mutual funds that they also recommend to clients for purchase or sale. Our Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the firm's



access persons. It also provides guidance on Employee Trading. Our code also provides for oversight, enforcement and recordkeeping provisions.

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

AFA will provide a copy of the Code of Ethics to any client or prospective client upon request.

Item 12 – Brokerage Practices

All ***Advantage*** services using the Institutional Intelligent Portfolios™ platform are maintained at, and receive the brokerage services of, Charles Schwab & Co, Inc., a broker dealer registered with the Securities and Exchange Commission and a member of FINRA and SIPC.

When providing its full-service investment advisory and financial planning services, AFA normally recommends that clients establish brokerage accounts with the Institutional division of Charles Schwab & Co., Inc. (Schwab), to maintain custody of clients' assets and to effect trades for their accounts. At times, however, AFA may recommend the services of other broker/dealers or custodians to Clients depending on the type of account and service to be provided. Each year, AFA surveys and evaluates institutional custodial services and platforms, so it can confidently ensure that Clients obtain the best and lowest-cost custodial services possible.

In contrast, AFA's ***Advantage*** portfolio management services are currently provided exclusively through Schwab using their Institutional Intelligent Portfolios™ platform. To use the ***Advantage*** program, Clients must enroll and open an account with Schwab online (AFA does not open the account for the client.) If the client does not wish to open an account with Schwab, AFA cannot manage the client's account through the ***Advantage*** Program.



As described under Item 4, we do not pay Schwab fees for its services in connection with the Program so long as we continue to maintain \$100 Million in client assets in accounts at Schwab that are *not* enrolled in the Program (a condition that we currently fulfill).

AFA is independently owned and operated and not affiliated with Schwab. AFA's objective is to ensure that needed brokerage and custodial services are provided to the client at the lowest possible cost. AFA does not receive compensation from Charles Schwab or any other broker in return for client business.

Schwab provides AFA 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 who work with Schwab on an unsolicited basis, at no charge to the Advisor, and are not contingent upon AFA committing to Schwab any specific amount of business (assets in custody or trading).

Schwab's services include brokerage, 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 AFA's client accounts maintained in its custody, Schwab generally does not charge separately for custody but is compensated by account holders through commissions or other transaction-related fees for securities trades that are executed through Schwab or that settle into Schwab accounts.

Schwab also makes available to AFA other products and services that assist AFA in managing and administering clients' accounts. These include software and other technology that provide access to client account data (such as trade confirmations and account statements); facilitate trade execution (online trading); provide research, pricing information and other market data; facilitate payment of AFA's fees from its clients' accounts; and assist with back-office functions, such as record keeping and client reporting.

At this time the ***Advantage*** program is only available through Charles Schwab, therefore the client is not able to direct AFA to use another platform or broker. As this program is solely reliant on one broker, Charles Schwab shall be the only broker reviewed as part of AFA's Best Execution procedure. 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.

Item 13 – Review of Accounts

Client risk questionnaires and portfolios are reviewed at inception and monitored periodically by AFA's President, normally on an annual basis, or more frequently as individual or market conditions warrant. When notified of a material change to a client's investment objectives or risk profile, portfolio strategies are reviewed and revised based on the new information. All investment advisory clients are encouraged to discuss their needs, goals and objectives with AFA and to keep AFA informed in writing of any changes thereto. Portfolios are periodically rebalanced to maintain the original asset allocation targets as part of an automated process, subject to program parameters. AFA takes steps to contact ongoing investment advisory clients at least annually to review investment objectives and suitability given the client's situation, and unless AFA has been informed of relevant changes by the Client, AFA will assume that the Client's risk tolerance, investment objectives and time horizon remains unchanged.

AFA issues periodic and timely information to clients via its website, blog, email and other channels, relating to investments and other relevant financial developments. Clients are provided with transaction confirmation notices and regular summary account statements directly from Schwab. Clients should compare the account statements they receive from Schwab with those they may obtain from the Program website or to any reports generated by AFA.

The Program website provides clients with access to their account information on a continuing basis. Clients may obtain real-time portfolio reports which include their account status and holdings.



Item 14 – Client Referrals and Other Compensation

AFA firmly rejects the practice of "referrals for pay," believing it undermines trust and objectivity in the client/advisor relationship. AFA does not receive any compensation or advantages from any individual or firm in return for receiving client referrals, nor does it provide client referrals to any individual or firm for compensation or advantages. This is to reduce any conflicts of interest that may be inconsistent with our objectivity and independence.

The availability of Schwab's products and services to the Firm is based solely on our participation in the programs and not in the provision of any particular investment advice. Neither Schwab nor any other third-party is paid to refer clients to the Firm.

Item 15 – Custody

AFA does not maintain custody of client assets (other than due to its ability to automatically debit client fees, upon client authorization, or transfer funds to another account as directed by the client, as pre-authorized by the client via a Standing Letter of Authorization, or SLOA).

Charles Schwab & Co maintains actual custody of clients' assets. As noted in Item 13, Clients receive account statements directly from Schwab at least quarterly. They will be sent to the email or postal mailing address the client provides to Schwab. Clients should carefully review those statements promptly when received.

Under government regulations, we are deemed to have custody of a client's assets if the client authorizes us to instruct Schwab to deduct our advisory fees directly from the client's account. This is the case for accounts in the Program.

Item 16 – Investment Discretion

As described under Item 4, **Advantage** portfolios are managed on a discretionary basis. Based on the Client's responses to an investment questionnaire, the Client is assigned to a portfolio strategy with an appropriate level of expected risk and return. The Advisor may



modify that portfolio strategy by moving the Client up one level (more aggressive) or down one level (more conservative). Once the investment strategy is agreed upon, ***Advantage*** will execute that plan without specific consent from the client for each transaction. As part of the enrollment process, the Client may instruct us to exclude up to three ETFs from their portfolio. Any other investment guidelines and restrictions must be provided to AFA in writing.

Discretionary authority is provided by the client using a “Limited Power of Attorney” form, under procedures established by the investment custodian, which permits AFA to obtain account information, trade, and perform other limited functions. However, it does not provide AFA with the power to make withdrawals. Only the client retains that power.

Item 17 – Voting Client Securities

Our firm has established Proxy Voting Policies and Procedures. Clients may obtain a copy of AFA’s complete Proxy Voting Policies and Procedures, and/or information on how AFA has voted proxies, by making a written request to AFA’s office.

AFA’s policy is to vote proxies in a manner consistent with clients’ best interest and in a way most likely to maximize clients’ investment returns over the long-term time period. AFA does not always vote as requested by management, and makes decisions on a case-by-case basis. Corporate governance is an important issue, and when AFA votes proxies, it represents shareholders, their interests, and their desire for responsible, effective, and honest corporate leadership.

Item 18 – Financial Information

Adam Financial Associates, Inc. does not have any reportable information under this item. Our firm does not have any adverse financial condition that is reasonably likely to impair our ability to continuously meet our contractual commitments to our Clients.



APPENDIX A: Comparison of AFA *Advantage* and Full Service Offerings

Criterion	AFA Advantage	AFA Full Service
Overview	<i>Advantage</i> is our affordable solution when you are looking for personalized portfolio management services and expertise in an automated, online client experience without the cost of add-on financial planning services. Our online investment advice platform builds, monitors and rebalances your portfolio using low cost ETFs (Exchange Traded Funds) with no additional transaction or other program fees, using Schwab's Institutional Intelligent Portfolios as its platform.	Our signature service. Investment advisory and financial planning services which are extremely customized, flexible and tailored to your individual client needs. Most suitable for clients needing a higher level of service and customization, investors with substantial assets or more complex situations, people in retirement who require more sophisticated retirement income flows and annual retirement monitoring, those desiring more of a guided "educational" approach, or individuals who need assistance with financial planning issues.
Normal AFA Minimum Fee	\$125 per quarter	\$500 per quarter
AFA Management Fee	0.125% per quarter	0.25% per quarter, with progressively lower fees as assets increase
Schwab Fees	There are no Schwab program fees or costs to purchase or sell the ETFs making up the client portfolios	Thousands of no-transaction fee mutual funds and ETFs are available to clients with no purchase or sales cost. Transaction fees or Schwab commissions may apply to other choices.



<i>Criterion</i>	<i>AFA Advantage</i>	<i>AFA Full Service</i>
Service Level	Streamlined, paperless new account opening process for clients. Automated, online interface (including mobile apps) permitting clients to handle account needs on a “self-service” basis. Schwab professional help is also available 24/7 via phone.	Help is always available however and whenever you need it. Extensive and comprehensive service available 24/7 from Schwab and/or AFA in-person, over the phone, email, or online.
Financial Planning Services	None	Unlimited
Type of Accounts Available	Limited to most common account types such as Individual, Custodial, Community Property, Joint Tenants, Tenants in Common, Contributory IRA, Roth Contributory IRA, Rollover IRA, SEP IRA, SIMPLE IRA, and Revocable Living Trusts (with identical grantor and trustee)	All account types available through Schwab are available to clients
Transactional Assistance	Clients handle account needs (other than trading) on a “self-service” basis through online interface	AFA saves busy clients time by assisting with broadest range of transactions and support needs
Investment Customization	Model portfolios may include over 900 Exchange Traded Funds currently available in 45 different asset classes and a cash allocation. Clients are limited to the investments included in the menu of model portfolios and may not independently trade or direct investments.	Virtually unlimited investment menu encompassing thousands of mutual funds, ETFs, stocks, and bonds with extensive customization potential, so AFA can create an optimal portfolio and exercise flexibility in trading, rebalancing and tax loss harvesting.



<i>Criterion</i>	<i>AFA Advantage</i>	<i>AFA Full Service</i>
Investment Strategy	Client completes the online questionnaire and selects from a menu of model portfolios designed and monitored by AFA. AFA manages the portfolio using automatic rebalancing and tax-loss harvesting (if the client is eligible and selects).	Portfolio investments, trading, monitoring, reporting and tax-loss harvesting extensively customized to meet client and account needs.