

THE PLANNING CENTER, INC.

ADV Part 2A, Firm Brochure

Dated: March 27, 2018

Contact: Eric Kies, CFP® - Chief Compliance Officer

1615 5th Avenue

Moline, IL 61265

<http://www.ThePlanningCenter.com>

This brochure provides information about the qualifications and business practices of The Planning Center, Inc. If you have any questions about the contents of this brochure, please contact us at (309) 797-4030 or clientservices@theplanningcenter.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 The Planning Center, Inc. is also available on the SEC's website at www.adviserinfo.sec.gov.

References herein to The Planning Center, Inc. as a "registered investment adviser" or any reference to being "registered" does not imply a certain level of skill or training.

Item 2 Material Changes

There have been no material changes made to Registrant's disclosure statement since last year's Annual Amendment filing on March 29, 2017. However, the Registrant has made additions and enhancements at Items 4, 5, 12, and 14, including disclosure regarding retirement rollovers, advisory fees and economic benefits.

ANY QUESTIONS: Registrant's Chief Compliance Officer, Eric Kies, CFP[®], remains available to address any questions regarding this Part 2A, including the disclosure additions and enhancements.

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Item 4 Advisory Business

- A. The Planning Center, Inc. (the “Registrant”) is a corporation formed under the laws of the State Illinois in May 2006. The Registrant has been registered with the Securities and Exchange Commission as an investment adviser since April 2002. The Registrant is owned by Martin Kurtz, CFP®, Matthew Sivertsen, CFP®, Eric Kies, CFP®, John Longstaff, CFP®, JJ Sessions, CFP®, Andrew Sivertsen, CFP®, Cicily Maton, CFP®, Michelle Maton, CFP®, H. Jude Boudreaux, CFP®, and Michael Branham, CFP®.
- B. As discussed below, the Registrant offers to its clients (individuals, high net worth individuals, pension and profit sharing plans, trusts, estates, charitable organizations and small businesses) investment advisory services, financial planning and consulting services, and retirement plan consulting services.

INVESTMENT ADVISORY SERVICES

The client can engage the Registrant to provide discretionary and/or non-discretionary investment advisory services on a *fee-only* basis. The Registrant’s annual flat fee shall be negotiable but based upon various objective and subjective factors. Before engaging the Registrant to provide investment advisory services, clients are required to enter into an *Investment Advisory Agreement* with Registrant setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the annual flat fee that is due from the client.

Registrant’s annual investment advisory fee shall include investment advisory services, and general financial planning and consulting services. In the event that the client requires extraordinary planning or consultation services (to be determined in the sole discretion of the Registrant), the Registrant may determine to charge for such additional services pursuant to a stand-alone *Financial Planning Agreement* (see below).

The Registrant provides investment advisory services specific to the needs of each client. Before providing investment advisory services, an investment adviser representative will ascertain each client’s investment objectives. Then, the Registrant will allocate and/or recommend that the client allocate investment assets consistent with the designated investment objectives. The Registrant generally allocates or recommends that clients allocate investment assets among mutual funds and exchange traded funds (“ETFs”). In addition, the Registrant may use model portfolios if the portfolio meets the investment objectives of the client. However, the Registrant may also accommodate clients and purchase other securities on a client’s behalf upon an unsolicited request. Such purchases have historically been fixed-income securities, individual equity securities and insurance based products. Once allocated, the Registrant provides ongoing monitoring and review of account performance, asset allocation and client investment objectives.

The Capstone Wealth Program™

Clients engaging the Registrant in the Capstone Wealth Program™ generally receive more personalized interactions and personalized financial planning in addition to investment advisory services (as set forth above). The terms of the Capstone Wealth Program™ are more fully set forth in the Capstone Wealth Program™ Agreement. As part of the Capstone Wealth Program™, the Registrant meets with clients to discuss the details of their financial situation, presents recommendations to assist the client ascertain their financial goals, assists with implementing the financial plan, and updates, monitors and modifies the plan

as needed. As part of this plan, the Registrant generally meets with clients between three to four times to find out the client's entire financial situation. As part of the ongoing review and modification of the plan, the Registrant generally meets with the client between two and four times per year. Client in the Capstone Wealth Program™ may engage the Registrant for tax preparation services for an additional fee.

FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)

To the extent requested by a client or in the event the Registrant deems that a client's financial planning request is extraordinary, the Registrant may also provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, divorce planning, etc.) on a stand-alone separate fee basis or as part of an hourly rate relationship stemming from another offering provided by the Registrant.

Before engaging the Registrant to provide stand-alone planning or consulting services, clients may be required to enter into a Financial Planning Agreement with Registrant setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the portion of the fee that is due from the client before Registrant commences services. If requested by the client, Registrant may recommend the services of other professionals for implementation purposes in their separate individual licensed capacities. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from the Registrant. **Please Note:** If the client engages any such recommended professional, and a dispute arises thereafter regarding such an engagement, the client agrees to seek recourse exclusively from and against the engaged professional. **Please Also Note:** It remains the client's responsibility to promptly notify the Registrant if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising Registrant's previous recommendations and/or services.

MISCELLANEOUS

Limitations of Financial Planning and Non-Investment Consulting/Implementation Services. To the extent requested by a client, Registrant may provide financial planning and related consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, divorce planning etc. The Registrant does not serve as a law firm, accounting firm, or insurance agency, and no portion of Registrant's services should be construed as legal or insurance implementation services. Accordingly, Registrant does not prepare estate planning documents or sell insurance products. To the extent requested by a client, Registrant may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance agents, etc.). Clients are reminded that they are under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation made by Registrant or its representatives. **Please Note:** If the client engages any unaffiliated recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional.

Separately Managed Account Programs. The Registrant may recommend that the client allocate a portion of its investment assets among unaffiliated Separately Managed Account programs, including Charles Schwab and Co., Inc.'s Managed Account Services in

accordance with the client's designated investment objective(s). In such situations, the Separately Managed Account Manager shall have day-to-day responsibility for the active discretionary management of the allocated assets. The Registrant shall continue to render investment advisory services to the client relative to the ongoing monitoring and review of account performance, asset allocation and client investment objectives. Factors which the Registrant shall consider in recommending Separately Managed Account program include the client's designated investment objective(s) as applied to the Separately Managed Account program: management style, performance, reputation, financial strength, reporting, pricing, and research.

Use of Mutual Funds: While the Registrant may recommend allocating investment assets to mutual funds that are not available directly to the public, the Registrant may also recommend that clients allocate investment assets to publically-available mutual funds that the client could obtain without engaging Registrant as an investment adviser. However, if a client or prospective client determines to allocate investment assets to publically-available mutual funds without engaging Registrant as an investment adviser, the client or prospective client would not receive the benefit of Registrant's initial and ongoing investment advisory services. Other mutual funds, such as those issued by Dimensional Fund Advisors ("DFA"), are generally only available through selected registered investment advisers. Registrant may allocate client investment assets to DFA mutual funds. Therefore, upon the termination of Registrant's services to a client, restrictions regarding transferability and/or additional purchases of, or reallocation among DFA funds will apply. **Registrant's Chief Compliance Officer, Eric Kies, CFP®, remains available to address any questions that a client or prospective client may have regarding the above.**

Non-Discretionary Service Limitations. Clients that determine to engage the Registrant on a non-discretionary investment advisory basis must be willing to accept that the Registrant cannot effect any account transactions without obtaining prior verbal or electronic consent to any such transaction(s) from the client. Thus, in the event of a market correction during which the client is unavailable, the Registrant will be unable to effect any account transactions (as it would for its discretionary clients) without first obtaining the client's verbal or electronic consent.

ByAllAccounts. In conjunction with the services provided by ByAllAccounts, Inc, the Registrant may also provide periodic comprehensive reporting services, which can incorporate all of the client's investment assets including those investment assets that are not part of the assets managed by the Registrant (the "Excluded Assets"). The Registrant's service relative to the Excluded Assets is limited to reporting services only, which does not include investment implementation. Because the Registrant does not have trading authority for the Excluded Assets, to the extent applicable to the nature of the Excluded Assets (assets over which the client maintains trading authority vs. trading authority designated to another investment professional), the client (and/or the other investment professional), and not the Registrant, shall be exclusively responsible for directly implementing any recommendations relative to the Excluded Assets. The client and/or their other advisors that maintain trading authority, and not the Registrant, shall be exclusively responsible for the investment performance of the Excluded Assets. Without limiting the above, the Registrant shall not be responsible for any implementation error (timing, trading, etc.) relative to the Excluded Assets. In the event the client desires that the Registrant provide investment management services with respect to the Excluded Assets, the client may engage the Registrant to do so pursuant to the terms and conditions of the Advisory Agreement between the Registrant and the client.

Portfolio Activity. Registrant has a fiduciary duty to provide services consistent with the client's best interest. As part of its investment advisory services, Registrant will review client portfolios on an ongoing basis to determine if any changes are necessary based upon various factors, including, but not limited to, investment performance, fund manager tenure, style drift, account additions/withdrawals, and/or a change in the client's investment objective. Based upon these factors, there may be extended periods of time when Registrant determines that changes to a client's portfolio are neither necessary nor prudent. Of course, as indicated below, there can be no assurance that investment decisions made by Registrant will be profitable or equal any specific performance level(s).

Trade Error Policy. From time-to-time Registrant may make an error in submitting a trade order on the client's behalf. When this occurs, Registrant may place a correcting trade with the client's broker-dealer. If an investment gain results from the correcting trade, the gain will remain in the client's account unless the same error involved other client account(s) that should also have received the gain, it is not permissible for the client to retain the gain, or Registrant confers with the client and the client decides to forego the gain (e.g., due to tax reasons). If the gain does not remain in the client's account and Charles Schwab & Co. Inc., member SIPC/NYSE ("*Schwab*") is the custodian, *Schwab* will donate the amount of any gain \$100 and over to charity. If a loss occurs greater than \$100, Registrant will pay for the loss. Schwab will maintain the loss or gain (if such gain is not retained in the client's account) if it is under \$100 to minimize and offset its administrative time and expense. Generally, if related trade errors result in both gains and losses in the client's account, they may be netted.

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

ERISA / IRC Fiduciary Acknowledgment. If the client is: (i) a retirement plan ("Plan") organized under ERISA; (ii) a participant or beneficiary of a Plan subject to Title I of ERISA or described in section 4975(e)(1)(A) of the Internal Revenue Code, with authority to direct the investment of assets in his or her Plan account or to take a distribution; (iii) the beneficial owner of an IRA acting on behalf of the IRA; or (iv) a Retail Fiduciary with respect to a plan subject to Title I of ERISA or described in section 4975(e)(1)(A) of the Internal Revenue Code: then the Registrant represents that it and its representatives are fiduciaries under ERISA or the Internal Revenue Code, or both, with respect to any investment advice provided by the Registrant or its representatives or with respect to any investment recommendations regarding an ERISA Plan or participant or beneficiary account.

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

Disclosure Statement. A copy of the Registrant's written Brochure as set forth on Part 2A of Form ADV shall be provided to each client before or contemporaneously with the execution of the *Investment Advisory Agreement* or *Financial Planning and Consulting Agreement*.

- C. The Registrant shall provide investment advisory services specific to the needs of each client. Before providing investment advisory services, an investment adviser representative will ascertain each client's investment objective(s). Thereafter, the Registrant shall allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). The client may, at any time, impose reasonable restrictions, in writing, on the Registrant's services.
- D. The Registrant does not participate in a wrap fee program.
- E. As of December 31, 2017, the Registrant had \$660,274,528 in assets under management on a discretionary basis and \$48,483,530 in assets under management on a non-discretionary basis.

Item 5 Fees and Compensation

A.

INVESTMENT ADVISORY SERVICES

If a client engages the Registrant to provide discretionary and/or non-discretionary investment advisory services on a *fee-only* basis, the Registrant's generally provides services for an annual flat fee which is negotiable, based upon various objective and subjective factors. These factors include, but are not limited to, the amount of the assets placed under the Registrant's management, the level and scope of the overall investment advisory services to be rendered and the complexity of the engagement.

Annual Flat Fee: The terms of the Registrant's annual flat fee engagement, including notification requirements for subsequent year fee increases, shall be set forth in the *Investment Advisory Agreement*. The Registrant shall determine the flat dollar amount of the client's annual flat fee based upon various objective and subjective factors such as the size of the client's account(s) and complexity of the services to be provided. (See Fee Differential disclosure below) At no time will the Registrant's annual flat fee exceed 3.00% of the client's assets under management.

Note: Fee Differentials. The Registrant shall price its services based upon various objective and subjective factors. As a result, the Registrant's clients could pay diverse fees based upon the market value of their assets, the complexity of the engagement, and the level and scope of the overall financial planning and/or consulting services to be rendered

and/or client negotiations. Furthermore, certain legacy clients may have agreed to a fee schedule available at the time of our engagement. These fee schedules shall differ from the annual flat fee billing practices discussed above.

As a result of these factors, similarly situated clients could pay diverse fees, and the services to be provided by Registrant to any particular client could be available from other advisers at lower fees. All clients and prospective clients should be guided accordingly. Before engaging Registrant to provide investment advisory services, clients are required to enter into a discretionary or non-discretionary Investment Advisory Agreement, setting forth the terms and conditions of the engagement (including termination), which describes the fees and services to be provided. **ANY QUESTIONS:** Registrant's Chief Compliance Officer, Eric Kies, CFP®, remains available to address any questions regarding Fee Differentials.

CAPSTONE WEALTH PROGRAM™ FEE SCHEDULE

Clients engaging the Registrant for the Capstone Wealth Program™ are subject to an annual fee based on a percentage of the client's net worth in addition to a percentage of the client's adjusted gross income based on the following tiered schedule:

<u>Net Worth Between:</u>	<u>Fee %</u>
\$0 to \$2,500,000	0.50%
\$2,500,000.01 - \$10,000,000	0.25%
\$10,000,000.01 and over	0.10%
and	
<u>Income Between:</u>	<u>Fee%</u>
\$0 - \$500,000	1.25%
\$500,000 - \$1,500,000	0.75%
\$1,500,000 and Over	0.50%

Clients in the Capstone Wealth Program™ are subject to a minimum annual retainer fee of \$3,000 and are rounded to the nearest \$250. Fees for the Program are not negotiable.

TAX PLANNING AND PREPARATION SERVICES

As discussed above, the Registrant provides tax preparation services for clients in the Capstone Wealth Program™ at no additional charge. This service includes only individual tax return preparation. Any additional returns will be billed on an hourly rate basis.

Clients who have chosen not to participate in the Capstone Wealth Program™ and have not engaged the Registrant on an annual flat fee basis may be subject to an additional fee for tax preparation services. Tax planning fees are calculated on an hourly basis. The tax planning fee will be rounded to the nearest ten dollars (\$10). The Registrant typically requires a minimum annual fee of \$120 but will not charge more than \$1,200 for tax preparation services.

FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)

To the extent specifically requested by a client, Registrant *may* determine to provide financial planning and/or consulting services (including investment and non-investment related matters, estate planning, tax planning, insurance planning, divorce planning, etc.) on for an additional fee. Registrant's financial planning and consulting fees are non-

negotiable, but generally range between \$1,500 and \$12,000 for a comprehensive financial plan; the Registrant charges \$250 per hour for licensed professionals and \$75 per hour for unlicensed professionals on an hourly basis, depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s). Fees for financial planning services are due and payable upon receipt on a quarterly basis.

- B. Clients may elect to have the Registrant's fees deducted from their custodial account. Both Registrant's *Advisory Agreement* and the custodial/clearing agreement may authorize the custodian to debit the account for the amount of the Registrant's investment advisory fee and to directly remit that management fee to the Registrant in compliance with regulatory procedures. In the limited event that the Registrant bills the client directly, payment is due upon receipt of the Registrant's invoice. Clients who have engaged the Registrant under the Capstone Wealth Program™ shall have their fees deducted and/or bill quarterly in advance, based upon the market value of the assets on the last business day of the previous quarter. Those clients who have engaged the Registrant to provide investment management services on a flat fee basis shall have their quarterly fees deducted and/or billed quarterly in advance. However, their quarterly fee shall be calculated as ¼ of the client's annual flat fee.
- C. As discussed below, unless the client directs otherwise or an individual client's circumstances require, Registrant shall generally recommend that Trust Company of America ("TCoA"), Schwab ("Schwab") or TD Ameritrade, Inc. ("TD Ameritrade") serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as TCoA, Schwab and TD Ameritrade charge brokerage commissions and/or transaction fees for effecting certain securities transactions (i.e. transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and fixed income securities transactions). In addition to Registrant's investment management fee, brokerage commissions and/or transaction fees, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses).

Asset Based Pricing Limitations. Registrant may recommend that our clients enter into an asset based pricing agreement with the account custodian. Under an asset based pricing arrangement, the amount that a client will pay the custodian for account commission/transaction fees is based upon a percentage (%) of the market value of your account, generally expressed in basis points. One basis point is equal to one one-hundredth of one percent (1/100th of 1%, or 0.01% (0.0001) (generally, the greater the market value, the lower the %)). This differs from transaction-based pricing, which assesses a separate commission/transaction fee against your account for each account transaction. Account investment decisions are driven by security selection and anticipated market conditions and not the amount of transaction fees payable by you to the account custodian. Registrant does not receive any portion of the asset based transaction fees payable by you to the account custodian. Registrant continues to believe that clients can benefit from an asset based pricing arrangement. You can request at any time to switch from asset based pricing to transactions based pricing. However, there can be no assurance that the volume of transactions will be consistent from year-to-year given changes in market events and security selection. Thus, given the variances in trading volume, any decision by you to switch to transaction based pricing could prove to be economically disadvantageous. Registrant's Chief Compliance Officer, Eric Kies, CFP®, remains available to address any questions about asset based pricing.

In addition to those fees mentioned generally above, TCoA charges an asset-based administration fee instead of transaction-based fees based on the following tiered fee schedule:

<u>Tier #</u>	<u>Market Value of Portfolio</u>	<u>Annual Fee %</u>
1	\$0 to \$100,000	0.285%
2	\$100,000.01 to \$250,000	0.171%
3	\$250,000.01 to \$500,000	0.048%
4	\$500,000.01 to \$1,000,000	0.019%
5	\$1,000,000.01 to \$2,000,000	0.010%
6	\$2,000,000.01 and over	0.000%

TCoA's minimum annual account fee is \$50 and its maximum annual account fee is \$856.50.

Beginning in January 2016, we reached an agreement with Schwab to offer (and we are encouraging our clients to transition to) an asset-based administration fee instead of transaction-based fees based on the following tiered fee schedule:

<u>Tier #</u>	<u>Market Value of Portfolio</u>	<u>Annual Fee %</u>
1	\$0 to \$100,000	0.285%
2	\$100,000.01 to \$250,000	0.171%
3	\$250,000.01 to \$500,000	0.048%
4	\$500,000.01 to \$1,000,000	0.019%
5	\$1,000,000.01 to \$2,000,000	0.010%
6	\$2,000,000.01 and over	0.000%

- D. The Registrant's annual investment advisory fee and Capstone Wealth Program™ fee shall be prorated and paid quarterly in advance, based upon the market value of the assets on the last business day of the previous quarter. The Registrant generally does not require a minimum annual investment advisory fee, except as disclosed above in relation to the Capstone Wealth Program™ and available tax planning and preparation services.

The Registrant, in its sole discretion, may charge a lesser investment management fee and/or reduce or waive its annual minimum fee or asset level based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

The Investment Advisory Agreement between the Registrant and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the Investment Advisory Agreement. Upon termination, the Registrant shall remit the prorated portion of the advanced advisory fee based upon the number of days that services were provided during the billing quarter, as applicable.

- E. Neither the Registrant, nor its representatives accept compensation from the sale of securities or other investment products.

Item 6 Performance-Based Fees and Side-by-Side Management

Neither the Registrant nor any supervised person of the Registrant accepts performance-based fees.

Item 7 Types of Clients

The Registrant's clients shall generally include individuals, high net worth individuals, pension and profit sharing plans, trusts, estates, charitable organizations and small businesses. The Registrant generally does not require a minimum annual investment advisory fee, except as disclosed above in relation to the Capstone Wealth Program™ and available tax planning and preparation services.

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

A. The Registrant may utilize the following methods of security analysis:

- Fundamental - (analysis performed on current market valuations compared to historical market valuations)

The Registrant may utilize the following investment strategies when implementing investment advice given to clients:

- Long Term Purchases (securities held at least a year)
- Short Term Purchases (securities sold within a year)
- Trading (securities sold within thirty (30) days)
- Modern Portfolio Theory - The process incorporates client needs, resources, time horizon, risk tolerance and past experience with the design of an asset allocation that is dynamic in nature rather than static.

Please Note: Investment Risk. Investing in securities involves risk of loss that clients should be prepared to bear. Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by the Registrant) will be profitable or equal any specific performance level(s). Without limitation, investors generally face the following risks:

- Interest-rate Risk: Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- Market Risk: The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk may be caused by external factors independent of the fund's specific investments as well as due to the fund's specific investments. Additionally, each security's price will fluctuate based on market movement and emotion, which may, or may not be due to the security's operations or changes in its true value. For example, political, economic and social conditions may trigger market events which are temporarily negative, or temporarily positive.

- Inflation Risk: When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
 - Reinvestment Risk: This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
 - Liquidity Risk: Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
 - Financial Risk: Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.
- B. The Registrant's methods of analysis and investment strategies do not present any significant or unusual risks. However, every method of analysis has its own inherent risks.

The Registrant's primary investment strategies--Long Term Purchases, Short Term Purchases, Trading, and implementation of Modern Portfolio Theory—are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer term investment strategy. Trading, an investment strategy that requires the purchase and sale of securities within a thirty (30) day investment time period, involves a very short investment time period but will incur higher transaction costs when compared to a short term investment strategy and substantially higher transaction costs than a longer term investment strategy.

- C. Registrant recommends asset allocations based on a particular client's: economic situation, liquidity needs, risk tolerance, proposed investment period, need for diversification, reliance upon current income, present and anticipated tax situation. Registrant also considers historical yields, potential appreciation and marketability before making investment recommendations. The Registrant primarily recommends that its clients allocate investment assets among various mutual funds, exchange traded funds, bonds, fixed income securities, sub-advisory and separately managed account programs in accordance with the client's designated investment objective(s).

Item 9 Disciplinary Information

Neither the Registrant nor any of its management persons have been the subject of any disciplinary actions requiring reporting under this Item.

Item 10 Other Financial Industry Activities and Affiliations

- A. Neither the Registrant, nor its representatives, are registered or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- B. Neither the Registrant, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.
- C. **First Step Cash Management, LLC** – Certain of the Registrant’s owners also own First Step Cash Management, LLC (the “Firm”). The Firm was created to license proprietary financial planning and cash management software created by the Registrant’s following owners: Martin Kurtz, CFP®, Matthew Sivertsen, CFP® and Eric Kies, CFP®. Clients of the Registrant should not be impacted by this business endeavor. The Registrant will only allow software to be licensed to other financial planners and investment advisers and will not separately license software to clients of the Registrant.
- D. The Registrant does not recommend or select other investment advisors for its clients.

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

- A. The Registrant maintains an investment policy relative to personal securities transactions. This investment policy is part of Registrant’s overall Code of Ethics, which serves to establish a standard of business conduct for all of Registrant’s Representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

In accordance with Section 204A of the Investment Advisers Act of 1940, the Registrant also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by the Registrant or any person associated with the Registrant.

- B. Neither the Registrant nor any related person of Registrant recommends, buys, or sells for client accounts, securities in which the Registrant or any related person of Registrant has a material financial interest.
- C. The Registrant and/or representatives of the Registrant *may* buy or sell securities that are also recommended to clients. This practice creates a situation where the Registrant and/or representatives of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a conflict of interest. Practices such as “scalping” (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if the Registrant did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, “front-running” (i.e., personal trades executed before those of the Registrant’s clients) and other potentially abusive practices.

The Registrant has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of the Registrant’s “Access Persons.” The Registrant’s securities transaction policy requires that Access Person of the Registrant must provide the Chief Compliance Officer or his/her designee with a written report of the their current securities holdings within ten (10) days after becoming an Access Person.

Furthermore, Access Persons must provide the Chief Compliance Officer with a quarterly transaction report, detail all trades in the Access Person's account during the previous quarter; and on an annual basis, each Access Person must provide the Chief Compliance Officer with a written report of the Access Person's current securities holdings. However, at any time that the Registrant has only one Access Person, he or she shall not be required to submit any securities report described above.

- D. The Registrant and/or representatives of the Registrant *may* buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where the Registrant and/or representatives of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a conflict of interest. As indicated above in Item 11C, the Registrant has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of Registrant's Access Persons.

Item 12 Brokerage Practices

- A. In the event that the client requests that the Registrant recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct the Registrant to use a specific broker-dealer/custodian), Registrant generally recommends that investment management accounts be maintained at Schwab ("*Schwab*"), Trust Company of America ("*TCoA*") or TD Ameritrade, Inc. ("*TD Ameritrade*"). Prior to engaging Registrant to provide investment management services, the client will be required to enter into a formal *Investment Advisory Agreement* with Registrant setting forth the terms and conditions under which Registrant shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that the Registrant considers in recommending *Schwab*, *TCoA* or *TD Ameritrade* (or another broker-dealer/custodian, investment platform and/or mutual fund sponsor) include historical relationship with the Registrant, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by Registrant's clients shall comply with the Registrant's duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where the Registrant determines, in good faith, that the commission/transaction fee is reasonable. 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, although Registrant will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, Registrant's investment management fee. The Registrant's best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

1. Research and Additional Benefits

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, Registrant may receive from *Schwab*, *TCoA* or *TD Ameritrade* (or another broker-dealer/custodian)

without cost (and/or at a discount) support services and/or products, certain of which assist the Registrant to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by the Registrant may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by Registrant in furtherance of its investment advisory business operations.

Schwab also makes available to Registrant other products and services that benefit Registrant but may not benefit its clients' accounts. Some of these other products and services assist Registrant in managing and administering clients' accounts. These include software and other technology that provide access to client account data (such as trade confirmations, account statements and the daily download of prices and transactions); facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts); provide research, pricing information and other market data; facilitate payment of Registrant' fees from its clients' accounts; and assist with back-office functions, record keeping and client reporting. Many of these services generally may be used to service all or a substantial number of Registrant' accounts, including accounts not maintained at Schwab Institutional.

As indicated above, certain of the support services and/or products that *may* be received may assist the Registrant in managing and administering client accounts. Others do not directly provide such assistance, but rather assist the Registrant to manage and further develop its business enterprise.

Registrant's clients do not pay more for investment transactions effected and/or assets maintained at *Schwab*, *TCoA* or *TD Ameritrade* as a result of this arrangement. There is no corresponding commitment made by the Registrant to *Schwab*, *TCoA* or *TD Ameritrade* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

Registrant may also recommend that clients establish brokerage accounts with the Schwab Institutional division of *Schwab* a registered broker-dealer, to maintain custody of clients' assets and to effect trades for their accounts. Registrant is independently owned and operated and not affiliated with *Schwab*.

Schwab provides Registrant 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' account assets are maintained at Schwab Institutional, and are not otherwise contingent upon Registrant committing to *Schwab* any specific amount of business (assets in custody or trading). *Schwab*'s services include research, brokerage, custody, 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 Registrant' client account 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 Institutional also makes available to Registrant other services intended to help Registrant manage and further develop its business enterprise. These services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, and marketing. In addition, Schwab may make available, arrange and/or pay for these types of services rendered to Registrant by independent third parties. 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 Registrant. While as a fiduciary, Registrant endeavors to act in its clients' best interests, and Registrant's recommendation that clients maintain their assets in accounts at *Schwab* may be based in part on the benefit to Registrant of the availability of some of the forgoing products and services and not solely on the nature, cost or quality of custody and brokerage services provided by *Schwab*, which creates a conflict of interest.

The Registrant's Chief Compliance Officer, Eric Kies, CFP®, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding conflict of interest such arrangement creates.

2. The Registrant does not receive referrals from broker-dealers.
3. The Registrant does not generally accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and Registrant will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by Registrant. As a result, client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

Please Note: In the event that the client directs Registrant to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through Registrant. Higher transaction costs adversely impact account performance. **Please Also Note:** Transactions for directed accounts will generally be executed following the execution of portfolio transactions for non-directed accounts.

The Registrant's Chief Compliance Officer, Eric Kies, CFP®, remains available to address any questions that a client or prospective client may have regarding the above arrangement.

- B. To the extent that the Registrant provides investment advisory services to its clients, the transactions for each client account generally will be effected independently, unless the Registrant decides to purchase or sell the same securities for several clients at

approximately the same time. The Registrant may (but is not obligated to) combine or “bunch” such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among the Registrant’s clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. The Registrant shall not receive any additional compensation or remuneration as a result of such aggregation.

Item 13 Review of Accounts

- A. For those clients to whom Registrant provides investment supervisory services, account reviews are conducted on an ongoing basis by the Registrant. All investment supervisory clients are advised that it remains their responsibility to advise the Registrant of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to review financial planning issues (to the extent applicable), investment objectives and account performance with the Registrant on an annual basis.
- B. The Registrant may conduct account reviews upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.
- C. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. The Registrant may also provide a written periodic report summarizing account activity and performance.

Item 14 Client Referrals and Other Compensation

- A. As referenced in Item 12.A.1 above, the Registrant may receive an economic benefit from *Schwab, TCoA* or *TD Ameritrade*. The Registrant, without cost (and/or at a discount), may receive support services and/or products from *Schwab, TCoA* or *TD Ameritrade* (which may include direct monetary assistance from *Schwab, TCoA* or *TD Ameritrade* to obtain certain services or products).

Registrant’s clients do not pay more for investment transactions effected and/or assets maintained at *Schwab, TCoA* or *TD Ameritrade* as a result of this arrangement. There is no corresponding commitment made by the Registrant to *Schwab, TCoA* or *TD Ameritrade* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

The Registrant’s Chief Compliance Officer, Eric Kies, CFP®, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding conflict of interest any such arrangement creates.

- B. Neither Registrant nor any of its representatives compensates any person other than its supervised persons for client referrals.

Item 15 Custody

The Registrant shall have the ability to have its advisory fee for each client debited by the custodian on a quarterly basis. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. The Registrant may also provide a written periodic report summarizing account activity and performance. **Please note:** To the extent that the Registrant provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by the Registrant with the account statements received from the account custodian. **Please also note:** The account custodian does not verify the accuracy of the Registrant's advisory fee calculation.

The Registrant engages in other practices on behalf of its clients that require disclosure at the Custody section of Part 1 of Form ADV, which are subject to an annual surprise CPA examination in accordance with the requirements of Rule 206(4)-2 under the Investment Advisers Act of 1940. The Registrant's Chief Compliance Officer, Eric Kies, CFP®, remains available to address any questions that a client or prospective client may have regarding custody-related issues.

Item 16 Investment Discretion

The client can determine to engage the Registrant to provide investment advisory services on a discretionary basis. Prior to the Registrant assuming discretionary authority over a client's account, the client shall be required to execute an *Investment Advisory Agreement*, naming the Registrant as the client's attorney and agent in fact, granting the Registrant full authority to buy, sell, or otherwise effect investment transactions involving the assets in the client's name found in the discretionary account.

Clients who engage the Registrant on a discretionary basis may, at anytime, impose restrictions, **in writing**, on the Registrant's discretionary authority (i.e. limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe the Registrant's use of margin, etc.).

Item 17 Voting Client Securities

- A. The Registrant does not vote client proxies. Clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets.
- B. Clients will receive their proxies or other solicitations directly from their custodian. Clients may contact the Registrant to discuss any questions they may have with a particular solicitation.

Item 18 Financial Information

- A. The Registrant does not require clients to pay fees of more than \$1,200, per client, six months or more in advance.
- B. The Registrant is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.
- C. The Registrant has not been the subject of a bankruptcy petition.

ANY QUESTIONS: The Registrant's Chief Compliance Officer, Eric Kies, CFP®, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.