



## **CAFG Wealth Management, Inc.**

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### **PART 2A - APPENDIX 1 WRAP FEE PROGRAM BROCHURE**

This ADV 2A Brochure provides information about the qualifications and business practices of CAFG Wealth Management, Inc. If you have any questions about the contents of this brochure, please contact John Dorn, Chief Compliance Officer, at 847-991-1099 or via e-mail at [john@cafginc.com](mailto:john@cafginc.com).

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority. Registration with the SEC or state regulatory authority does not imply a certain level of skill or experience.

Additional information about CAFG Wealth Management, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) by searching CRD # 165901.

## **Item 2 Material Changes**

Form ADV Part 2 requires registered investment advisers to amend their brochure when information becomes materially inaccurate. If there are any material changes to an adviser's disclosure brochure, the adviser is required to notify you and provide you with a description of the material changes.

Generally, CAFG Wealth Management, Inc. will notify clients of material changes on an annual basis. However, where we determine that an interim notification is either meaningful or required, we will notify our clients promptly. In either case, we will notify our clients in a separate document.

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## Item 4 Advisory Business

### Description of Firm

CAFG Wealth Management, Inc. is an Illinois corporation founded in 2005, with its principal place of business in Illinois. We are registered with the U.S. Securities and Exchange Commission ("SEC") and have been providing investment advisory services since January 2013. Thomas R. Chernesky is the sole shareholder, director and officer.

As used in this brochure, the words "we," "our," "us", and "CAFG" refer to CAFG Wealth Management, Inc. and the words "you," "your," and "client" refer to you as either a client or prospective client of our firm. Also, you may see the term Associated Person in this brochure. Our Associated Persons are our firm's officers, employees, and all individuals providing investment advice on behalf of our firm.

### Description of Services Offered

CAFG offers investment advisory and financial planning services to its clients. We also offer tax return preparation services and career counseling services through employees and/or independent consultants. This Part 2A disclosure document is tailored to advisory services that are not part of our firm's Wrap Fee Portfolio Management Program. If you are a prospective client of our Wrap Fee Portfolio Management Program, we will deliver our Form ADV Part 2A Appendix 1 disclosure document to you.

### Portfolio Management Services

CAFG offers continuous and ongoing investment advice and portfolio management services exclusively through our wrap fee program (see Wrap Fee Program below).

### Asset Allocation/Portfolio Monitoring Services

CAFG also offers asset allocation services that are tailored to meet our client's needs and investment objectives. We are responsible for monitoring assets on behalf of clients with no on-going supervision, trading, nor discretion with respect to securities transactions. Rather, we will provide the client with recommendations as to how to allocate investments among certain categories available. We will review the account on a pre-determined basis, such as monthly or quarterly. The frequency of the services provided will be agreed upon by us and the client, and detailed in the client service agreement. When agreed upon and appropriate, we may provide the client with recommendations to change the allocation consistent with investment objectives. The client is free to accept or reject our investment recommendations. In addition, the client is responsible for implementing the recommendations.

### Financial Planning or Consulting Services

CAFG also provides financial planning services. Financial planning is a comprehensive evaluation of a client's financial situation by using currently known facts and variables. We create a personalized, detailed financial plan for the client, which is designed to assist the client to achieve financial goals and objectives. We may also prepare special reports at the client's request.

A financial plan may address one or more of the following areas:

- **Financial Position:** Understanding of a client's current financial situation. Sources of evaluation include income, expenses, assets, liabilities, etc.
- **Protection Planning:** Uncovering financial risks related to catastrophic losses.
- **Investment Planning:** Determining the most suitable way to structure investments to meet financial goals.
- **Income Tax Planning:** Evaluating the current tax situation to help maximize a client's taxes and find more profitable ways to use the extra income generated.

- **Retirement Planning:** Assessing retirement needs to help a client determine how much to accumulate, as well as distribution strategies designed to create a source of income during retirement years.
- **Estate Planning:** Helping plan for a smooth transition of a client's estate.

We gather information through in-depth personal interviews and review of documents provided by the client, including questionnaires. Information gathered includes the client's current financial status, future goals, investment objectives, risk tolerance, and family circumstances.

Typical financial planning services, which are offered to all individual clients, include one or more of each of the aforementioned service components and generally take a minimum of 3 hours for the initial data collection and 2 hours of additional time per service component during the course of the year to complete. A financial plan may require the services of a specialist such as an estate attorney, insurance specialist, or tax accountant. We may recommend third-party service providers, but the client is under no obligation to use any service provider recommended by us. Likewise, the client is under no obligation to act on our financial planning recommendations.

We will deliver a written financial plan upon completion of the initial engagement. After the initial plan is delivered, we will meet with clients at least annually, either in person or by phone. After each client meeting, we will send a meeting summary to memorialize the topics discussed during the meeting. Financial plans are based on the client's financial situation at the time we present the financial plan to the client, and on the information provided to us. The client must promptly notify us if his/her financial situation, goals, objectives or needs change. Certain assumptions may be made with respect to interest, inflation rates, and use of past trends and performance of the market and economy. Past performance is in no way an indication of future performance. We cannot offer any guarantees or promises that a client's financial goals will be met.

### **Tax Return Preparation Services**

We offer tax return preparation services through an independent consultant engaged by and/or an individual employed by CAFG, who is a licensed certified public accountant. These services are available to all clients, however, you are under no obligation to engage our consultant and/or employee in the preparation of your tax returns. If a client elects to have CAFG's employee and/or consultant prepare the client's tax returns, we would generally disclose certain of the client's confidential information to the employee and/or consultant, such as investment performance, tax forms and personal identification information. Please review our privacy policy for more information about this disclosure.

### **Career Coaching**

We offer career coaching and consultation through an independent consultant engaged by CAFG. These services are available to all clients, however, you are under no obligation to engage our consultant for career coaching consultations. If a client elects to use the consultant, CAFG may disclose certain of the client's confidential information to the consultant, such as the client's contact information. Please review our privacy policy for more information.

### **Wrap Fee Program**

We are a portfolio manager to and sponsor of a wrap fee program, which is a type of investment program that provides clients with access to several money managers or mutual fund asset allocation models for a single fee that includes administrative fees, management fees, and commissions. If you participate in our wrap fee program, you will pay our firm a single fee, which includes our money management fees, certain transaction costs, and custodial and administrative costs. We receive a

portion of the wrap fee for our services. The overall cost you will incur if you participate in our wrap fee program may be higher or lower than you might incur by separately purchasing the types of securities available in the program.

Transactions for your account must be executed by TD Ameritrade, a securities broker-dealer and a member of the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation. To compare the cost of the wrap fee program with non-wrap fee portfolio management services, you should consider the frequency of trading activity associated with our investment strategies and the brokerage commissions charged by or other broker-dealers, and the advisory fees charged by investment advisers. For more information concerning the Wrap Fee Program, see *Appendix 1* to this Brochure.

### **Types of Investments**

We primarily offer advice on money market funds, mutual fund shares, exchange traded fund shares, futures fund shares and hedge fund shares (collectively, "funds"). We may also offer advice on exchange listed securities and those traded over-the-counter, corporate debt securities, municipal securities, U.S. government securities, real estate investment trust shares/interest, annuities and structured products and derivatives (collectively, "individualized securities"). Please refer to the *Methods of Analysis, Investment Strategies and Risk of Loss* below for additional disclosures on this topic.

Additionally, we may advise you on various types of investments based on your stated goals and objectives. We may also provide advice on any type of investment held in your portfolio at the inception of our advisory relationship.

### **Client Assets Under Management**

As of January 12, 2018, CAFG manages \$127,535,701 on a discretionary basis.

## **Item 5 Fees & Compensation**

### **Portfolio Management Services**

Please see our firm's Wrap Fee Brochure for a full-service description and corresponding fee schedule.

### **Asset Allocation/Portfolio Monitoring Fees**

CAFG charges a fixed fee for asset allocation/portfolio monitoring services, this fee ranges between \$100 and \$500 per year. In some circumstances, primarily when the client engages us for other services, we may not charge a separate fee for asset allocation/portfolio monitoring services. To the extent charged, we will invoice the client the fees for these services yearly in arrears, and fees will generally be due and payable within 30 days of the invoice. The fee is based on the size and complexity of the client's portfolio, and the time involved in providing the services to the client.

When CAFG is providing investment advisory services to the client as well, asset allocation/portfolio monitoring services are provided in conjunction with investment advisory services, which generally means that we advise the client on a global scale and take into account monitored assets when analyzing a client's overall financial situation, goals and objectives.

### **Financial Planning or Consulting Fees**

CAFG offers its financial planning services to all individual clients for a fee on either a stand-alone basis or in addition to portfolio management services. Financial planning fees will not exceed \$300 per hour, depending on which of our employees performs the services. These fees are negotiable. The exact fee is determined by the level of complexity and the client's needs. An estimate of the total time/cost will be determined at the start of the advisory relationship. In limited circumstances, the

cost/time could potentially exceed the initial estimate. In such cases, we will notify you and request that you approve the additional fee. The exact fee will be set forth in an agreement between CAFG and the client. Financial plans and/or consultations are typically completed within six (6) months of the client signing a contract with us.

We will invoice the client for the financial planning services, and fees will generally be due and payable within 30 days of the invoice. In limited circumstances, and if agreed upon by the client in the agreement, CAFG may directly debit financial planning fees from client's account(s). In these limited circumstances, we will only deduct our fee directly from your account through the qualified custodian holding your funds and securities and only when you have given our firm written authorization permitting the fees to be paid directly from your account. Further, the qualified custodian will deliver an account statement to you at least quarterly. These account statements will show all disbursements from your account. You should review all statements for accuracy.

In some circumstances, the financial plan may require the services of a specialist such as an estate attorney, insurance specialist, or tax accountant. CAFG may recommend third-party service providers, but the client is under no obligation to use any service provider recommended by CAFG.

### **Tax Return Preparation Fees**

We offer tax return preparation services through an employee employed by or consultant engaged by CAFG, who is a licensed certified public accountant. These services are offered to all clients, but clients are under no obligation to engage our employee and/or consultant in the preparation of their tax returns. The client will be charged a fee based on an hourly rate, per tax return preparation. An estimate of the total time/cost will be determined at the start of the tax preparation relationship. In limited circumstances, the cost/time could potentially exceed the initial estimate. In such cases, we will notify you and request that you approve the additional fee. The fee will be set forth in writing prior to the engagement, and the fee is due upon completion of the services. In general, the hourly rate will be between \$85 and \$525 depending on whether the tax return is a personal or business tax return. However, the fee may be negotiable depending on the complexity of the client's personal tax situation.

The fee, which is payable to CAFG, will be no greater than the fee which would be payable if the client independently engaged the licensed certified public accountant to prepare the tax returns. The client has complete discretion over the decision to engage CAFG for these services.

### **Career Coaching Fees**

We offer personalized, non-financial career management direction and coaching support including: review of a client's professional background, experiences, skills and abilities; career issues and expectations; resume and cover letter building; interview preparation, practice and coaching; job search and networking strategies. Coaching and mentoring support is also available for recent college graduates or high school students considering a college selection. These services are offered through a consultant engaged by CAFG. These services are offered to all clients, but clients are under no obligation to engage our consultant.

The initial consultation with the career coach is done by appointment only, generally lasts one hour and is without charge to the client. Additional consultation is available to the client on a tiered basis as follows:

- For Level 1, the services offered include an intake consultation, and the drafting of one or more customized versions of a resume and cover letter for the client depending on client job opportunities and career goals. Level 1 services involve approximately 12 hours of time at a rate of \$85 per hour.

- For Level 2, the services offered include three 3 hour consultations covering interview preparation, skill development and coaching, interview evaluation and strategies, job search and networking strategies and availability for coaching support. Consultation regarding post-hiring needs is on a "to be determined" basis. The approximate time spent with the client for Level 2 services is 12 hours at a rate of \$125 per hour.
- For Level 3, the services offered include all services in Level 1 and Level 2 plus an additional consultation, with post-hiring requirements determined separately based on client's individual circumstances. The approximate time provided for Level 3 services is 27 or more hours. Level 3 services are offered for a flat rate of \$2,500.

CAFG will retain 20% of the fees charged to the client to cover administrative expenses. As such, a conflict of interest exists where we have an incentive to recommend that a client use the career counseling services of our consultant. Please keep in mind, however, that our first duty is to the client. In addition, the client has complete discretion over the decision to engage CAFG for these services.

### **Termination of Advisory Services**

A advisory agreement may be terminated at any time, by CAFG or the client, for any reason on 30 days' prior written notice. In addition, if a client receives this Brochure at the time the client enters into the management agreement, the client has the right to terminate the agreement within 5 business days after entering into it by giving written notice of such termination to CAFG. Investment advisory fees which are not earned at termination are refunded to the client on a pro-rata basis. For purposes of calculating refunds, all work performed by us up to the point of termination shall be calculated at our hourly fee currently in effect. You will receive a pro-rata refund of unearned fees based on the time and effort expended by our firm and Planner.

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

### **Additional Fees and Expenses**

All fees paid to CAFG are separate and distinct from fees and expenses charged by any mutual fund, exchange-traded fund, private placement, pooled investment vehicle, and/or real estate investment trust. As part of our investment advisory services to you, we may recommend that you invest in mutual funds, exchange traded funds, pooled investment vehicles, and/or real estate investment trusts. The fees that you pay to our firm for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds or exchange traded funds (described in each fund's prospectus) to their shareholders. These fees will generally include a management fee and other fund expenses. The fees for private placements, pooled investment vehicles and/or real estate investment trusts are described in the confidential offering memoranda, subscription documents and/or trusts for each respective private placement and pooled investment vehicle. You will also incur transaction charges and/or brokerage fees when purchasing or selling securities. These charges and fees are typically imposed by the broker-dealer or custodian through whom your account transactions are executed. We do not share in any portion of the brokerage fees/transaction charges imposed by the broker-dealer or custodian. To fully understand the total cost you will incur, you should review all the fees charged by mutual funds, exchange traded funds, private placements, pooled investment vehicles, our firm, and others. For information on our brokerage practices, refer to the *Brokerage Practices* section of this brochure.

### **Compensation for the Sale of Securities or Other Investment Products**

Persons providing investment advice on behalf of our firm are licensed as independent insurance agents. These persons will earn commission-based compensation for selling insurance products, including insurance products they sell to you. Insurance commissions earned by these persons are separate and in addition to our advisory fees. This practice presents a conflict of interest because



persons providing investment advice on behalf of our firm who are insurance agents have an incentive to recommend insurance products to you for the purpose of generating commissions rather than solely based on your needs. You are under no obligation, contractually or otherwise, to purchase insurance products through any person affiliated with our firm.

## **Item 6 Performance-Based Fees & Side-by-Side Management**

CAFG does not charge performance-based fees or participate in side-by-side management. Performance-based fees are fees which are based on the share of capital gain or capital appreciation of a client's account. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged a performance-based fee.

## **Item 7 Types of Clients**

CAFG offers its investment advisory services to individuals, corporations and other business entities, pension and profit sharing plans, and trusts.

CAFG does not require a minimum dollar amount to open and maintain an advisory account; however, we have the right to terminate our relationship with a client if we believe that the account is too small to effectively manage.

## **Item 8 Methods of Analysis, Investment Strategies, & Risk of Loss**

CAFG may use one or more of the following methods of analyses or investment strategies when providing investment advice to clients, subject to the clients' investment objectives, risk tolerance, time horizons and stated guidelines:

### **Methods of Analysis**

- Fundamental Analysis: CAFG attempts to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, the financial condition of the company, its products, and the experience and expertise of the company's management) to determine the value of the company and whether its stock is underpriced or overpriced. Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock. In addition, there is a risk that information obtained may be incorrect and the analysis may not provide an accurate estimate of earnings, which may be the basis for a stock's value. If securities prices adjust rapidly to new information, utilizing fundamental analysis may not result in favorable performance.
- Technical Analysis: CAFG analyzes past market movements and applies that analysis to the present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement. Technical analysis does not consider the underlying financial condition of a company. This presents a risk in that a poorly-managed or financially unsound company may underperform regardless of market movement.
- Quantitative Analysis: CAFG uses a statistical analysis in an attempt to obtain more accurate measurements of a company's quantifiable data, such as the value of a share price or earnings per share, volatility of returns, and trailing performance, and predict changes to that data. A risk

in using quantitative analysis is that the analysis used may be based on assumptions that prove to be incorrect.

- Qualitative Analysis: CAFG subjectively evaluates non-quantifiable factors such as quality and tenure of management, investment and business strategies, and strength of research and development factors not readily subject to measurement, and predict changes to share price based on that data. A risk is using qualitative analysis is that our subjective judgment may prove incorrect.
- Fund Analysis: CAFG looks at the experience and track record of the manager of the fund in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We also look at fund construction, and the fund's investment mandate and strategy. A risk of fund analysis is that, as in all securities investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a fund, managers of different funds held by the client may purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the fund, which could make the holding(s) less suitable for the client's portfolio.

CAFG's analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

### **Investment Strategies**

CAFG uses the following strategies in managing client accounts. Investment strategies and advice may vary depending upon each client's specific financial situation. As such, we determine investments and allocations based upon the client's predefined objectives, risk tolerance, time horizon, financial horizon, financial information, liquidity needs, and other various suitability factors. The client's restrictions and guidelines may affect the composition of his/her portfolio.

- Long-Term Purchases: We purchase securities with the idea of holding them in the client's account for a year or longer. Typically we use this strategy when we believe the securities to be currently undervalued and/or we want exposure to a particular asset class over time, regardless of the current projection for this class. Long term purchases may be affected by unforeseen long term changes in the company in which the client is invested or in the overall market. Another risk in a long-term purchase strategy is that by holding the security for a long length of time, CAFG may not take advantage of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before the decision to sell is made.
- Short-Term Purchases: We purchase securities with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of the securities' short-term price fluctuations. Short term trading generally involves a greater degree of risk than long term trading due to market volatility over a short period of time. We may use short-term trading (in general, selling securities within 30 days of purchasing the same securities) as an investment strategy when managing clients' accounts. Short-term trading is not a fundamental part of CAFG's overall investment strategy, but we may use this strategy occasionally when we determine that it is suitable given a client's stated investment objectives and tolerance for risk

- **Margin Transactions:** If granted authority by a client, we may purchase securities for a client's with money borrowed from a client's brokerage account, in which case the security serves as collateral on the loan. When a client buys on margin, that means the client is borrowing money (interest is payable) from a broker to purchase securities. Margin trading allows a client to buy more stock than he/she would be able to normally. When the client sells the security in a margin account, the proceeds go to the broker against the repayment of the loan until it is fully paid. There may also be restriction called the maintenance margin, which is the minimum account balance a client must maintain before the broker will force the client to deposit more funds or sell stock to pay down the loan (a "margin call"). If for any reason the client does not meet a margin call, the broker has the right to sell the client's securities to increase account equity until the maintenance margin has been achieved. The broker may not be required to consult the client before selling. Margin trading is not a fundamental part of CAFG's overall investment strategy, but we may use this strategy very occasionally when given authority and we determine that it is suitable given a client's stated investment objectives and tolerance for risk.
- **Option Writing:** We may use options as an investment strategy. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an asset (such as a share of stock) at a specific price on or before a certain date. An option, just like a stock or bond, is a security. An option is also a derivative, because it derives its value from an underlying asset. We may also utilize funds which utilize options strategies. The two types of options are calls and puts. A "call" gives CAFG the right to buy an asset at a certain price within a specific period of time. We will buy a call if we believe that the stock will increase substantially before the option expires. A "put" gives the holder the right to sell an asset at a certain price within a specific period of time. CAFG will buy a "put" if we believe that the price of the stock will fall before the option expires. Option writing is not a fundamental part of CAFG's overall investment strategy, but we may use this strategy very occasionally when given authority and we determine that it is suitable given a client's stated investment objectives and tolerance for risk.

### **Investment Approach**

As disclosed under Item 4 (*Advisory Business*) of this Brochure, CAFG can recommend money market funds, mutual fund shares, exchange traded fund shares, futures fund shares and hedge fund shares (collectively, "funds"). Funds are professionally managed collective investment systems that pool money from many investors and invest in stocks, bonds, short-term money market instruments, other mutual funds, other securities or any combination thereof. The fund will have a manager that trades the fund's investments in accordance with the fund's investment mandate, strategy and objectives. CAFG generally analyzes the purchase and sale of fund shares using the fund analysis set forth above, although there may be other methods of analysis used, such as technical analysis and qualitative analysis.

CAFG can also recommend exchange listed securities and those traded over-the-counter, corporate debt securities, municipal securities, U.S. government securities, real estate investment trust shares/interest, annuities and structured products and derivatives (collectively, "individualized securities"). CAFG analyzes the purchase and sale of individualized securities on an individualized basis, by examining the underlying entity or issuer using one or more methods of analysis set forth above.

### **Risk of Loss**

Investing in securities involves risk of loss that clients should be prepared to bear. Clients should know that all investments carry a certain degree of risk ranging from the variability of market values to the possibility of permanent loss of capital. Risks to capital include, but may not be limited to, changes in the economy, market volatility, company results, industry sectors, accounting standards, and changes

in interest rates. Investments are also subject to risks inherent in governmental actions, exchange rates, inflation, deflation, and fiscal and monetary policies. Market risks include changes in market sentiment in general and styles of investing. There are also liquidity risks. Generally, assets are more liquid if many investors are interested in a standardized product, making the product relatively easy to convert into cash. CAFG does not engage in high-frequency trading activities or algorithmic trading strategies.

### **Generally**

Cash balances are typically invested daily in interest-bearing money market accounts, unless the client directs otherwise. Our strategies and investments may have unique and significant tax implications. However, unless CAFG agrees otherwise in writing, tax efficiency is not our primary consideration in the management of a client's assets. Regardless of account size or other factors, CAFG strongly recommends that its clients continuously consult with a tax professional prior to and throughout the investing of clients' assets. Each client is responsible for contacting his/her tax advisors to determine which cost basis accounting method is the right choice for the client. Clients should provide CAFG with written notice of a client's selected accounting method, and CAFG will alert the client's custodian of the individually selected accounting method. Clients should be aware that decisions about cost basis accounting methods will need to be made before trades settle, as the cost basis method cannot be changed after settlement.

## **Item 9 Disciplinary Information**

CAFG is required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of us, our business or the integrity of our management or associated persons.

Neither CAFG nor any of our associated persons has any reportable disciplinary events to disclose.

## **Item 10 Other Financial Industry Activities & Affiliations**

Some of our associated persons may be tax professionals and may offer their tax preparation services outside of CAFG. A client is under no obligation to use any tax preparation services offered by an associated person, either inside or outside of CAFG. In no event is any client obligated, contractually or otherwise, to use the services of any associated tax professional.

Persons providing investment advice on behalf of CAFG may also be licensed as independent insurance agents through various unaffiliated insurance companies. In their individual capacities as independent insurance agents, such persons will receive the usual and customary commission-based compensation in connection with the sale and renewal of insurance products. Compensation earned from insurance products by such persons acting as independent insurance agents is separate from and in addition to CAFG's advisory and other fees. No client is under any obligation to purchase insurance products through any associated person in their capacity as independent insurance agents.

CAFG is not a registered broker-dealer, commodity firm, commodity trading advisor, or futures commission merchant, and does not have an application to register for any of the same pending. CAFG does not recommend investment products in which it receives any form of compensation from the separate account manager or investment product sponsor. CAFG has no affiliations with any entity through common ownership.

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

### **Description of Our Code of Ethics**

CAFG has adopted a Code of Ethics that sets forth high ethical standards of business and professional conduct which we require our employees to follow. The Code of Ethics outlines proper conduct related to all services provided to clients by CAFG and our associated persons, and includes guidelines for compliance with applicable laws and regulations governing our practice. Our goal is to protect our clients' interests at all times and demonstrate our commitment to our fiduciary duties of honesty, good faith and fair dealing. Our Code of Ethics also requires that certain persons associated with CAFG submit reports of their personal account holdings and transactions to the Chief Compliance Officer who will review these reports on a periodic basis.

### **Personal Trading Practices and Block Trading**

CAFG, its associated persons and/or their families may buy or sell the same securities that we recommend to clients or securities in which clients are already invested. CAFG, its associated persons and/or their families may engage in securities transactions for their own accounts that differ from those recommended or engaged in for other CAFG clients. We may also combine orders to purchase securities for CAFG, its associated persons and/or their families with a client's order to purchase securities ("block trading"). Please refer to Item 12 for more information on block trading. A conflict of interest may exist in these events because we have the ability to trade ahead of clients and may potentially receive more favorable prices (for CAFG, its associated persons and/or their families) than the client will receive. To eliminate this conflict of interest, we will make reasonable attempts to trade securities in client accounts at or prior to trading the securities in CAFG accounts, or accounts of associated persons and/or their families. Trades executed the same day will likely be subject to an average pricing calculation. Moreover, it is our policy that neither CAFG nor its associated persons will have priority over a client's account(s) in the purchase or sale of securities.

It is the policy of CAFG to place the client's interests above those of CAFG and its associated persons.

### **Participation or Interest in Client Transactions**

Neither CAFG nor its associated persons have any material financial interest in client transactions beyond the provision of investment advisory services or other services as disclosed in this Brochure. CAFG does not engage in principal trading (*i.e.*, the practice of selling stock to advisory clients from our inventory or buying stocks from advisory clients into our inventory). Nor does CAFG engage in agency cross transactions.

Clients or prospective clients may obtain a copy of our Code of Ethics by contacting us at the e-mail or phone number listed on the cover page of this Brochure.

## **Item 12 Brokerage Practices**

We recommend the brokerage and custodial services of TD Ameritrade (whether one or more "Custodian"). Your assets must be maintained in an account at a "qualified custodian," generally a broker-dealer or bank. In recognition of the value of the services the Custodian provides, you may pay higher commissions and/or trading costs than those that may be available elsewhere.

We seek to recommend a custodian/broker that will hold your assets and execute transactions on terms that are, overall, the most favorable compared to other available providers and their services. We consider various factors, including:

- Capability to buy and sell securities for your account itself or to facilitate such services.
- The likelihood that your trades will be executed.
- Availability of investment research and tools.
- Overall quality of services.
- Competitiveness of price.
- Reputation, financial strength, and stability.
- Existing relationship with our firm and our other clients.

### **Research and Other Soft Dollar Benefits**

We do not have any soft dollar arrangements.

### **Economic Benefits**

As a registered investment adviser, we have access to the institutional platform of your account custodian. As such, we will also have access to research products and services from your account custodian and/or other brokerage firm. These products may include financial publications, information about particular companies and industries, research software, and other products or services that provide lawful and appropriate assistance to our firm in the performance of our investment decision-making responsibilities. Such research products and services are provided to all investment advisers that utilize the institutional services platforms of these firms, and are not considered to be paid for with soft dollars. However, you should be aware that the commissions charged by a particular broker for a particular transaction or set of transactions may be greater than the amounts another broker who did not provide research services or products might charge.

### **TD Ameritrade Institutional**

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

As disclosed above, we participate in TD Ameritrade's institutional customer program and we may recommend TD Ameritrade to you for custody and brokerage services. There is no direct link between our participation in the Program and the investment advice we give you, although we receive economic benefits through our participation in the Program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate Client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving our participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to your accounts); the ability to have advisory fees deducted directly from your accounts; access to an electronic communications network for order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to us by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by our related persons. Some of the products and services made available by TD Ameritrade through the Program may benefit us but may not benefit your accounts. These products or services may assist us in managing and administering your accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help us manage and further develop our business enterprise. The benefits received by us or our personnel through participation in the Program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of our fiduciary duties to you, we endeavor

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

#### **Brokerage for Client Referrals**

We do not receive client referrals from broker-dealers in exchange for cash or other compensation, such as brokerage services or research.

#### **Directed Brokerage**

Portfolio management services are exclusively offered through our Wrap Fee Program. Please see our ADV 2A - Appendix 1 for additional information regarding our directed brokerage practices.

#### **Block Trades**

Portfolio management services are exclusively offered through our Wrap Fee Program. Please see our ADV 2A - Appendix 1 for additional information regarding our block trading practices.

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

#### Financial Planning and Consulting Services

John Dorn, our Chief Compliance Officer, or Thomas Chernesky, President and Investment Adviser Representative, will meet with clients at least annually, either in person or by phone. After each client meeting, we will send a meeting summary to memorialize the topics discussed during the meeting. Generally, we will contact you periodically to determine whether any updates may be needed based on changes in your circumstances. Changed circumstances may include, but are not limited to marriage, divorce, birth, death, inheritance, lawsuit, retirement, job loss and/or disability, among others. We recommend meeting with you at least annually to review and update your plan if needed. Written updates to the financial plan may be provided in conjunction with client requested reviews. However, updates to your financial plan may be subject to our then current hourly rate, which you must approve in writing and in advance of the update. If you implement financial planning advice, you will receive trade confirmations and monthly or quarterly statements from relevant custodians.

#### Tax Return Preparation Services

When a client has contracted for tax return preparation services, we will meet with clients at least annually, either in person or by phone. After each client meeting, we will send a meeting summary to memorialize the topics discussed during the meeting.

#### Asset Allocation/Portfolio Monitoring Services

When a client has contracted for only non-continuous management of account(s), as with our asset allocation/portfolio monitoring services, we will meet with clients at least annually, either in person or by phone. After each client meeting, we will send a meeting summary to memorialize the topics discussed during the meeting.

### **Item 14 Client Referrals & Other Compensation**

As disclosed under the *Fees and Compensation* section in this brochure, persons providing investment advice on behalf of our firm are licensed insurance agents. For information on the conflicts of interest this presents, and how we address these conflicts, refer to the *Fees and Compensation* section.

We do not receive any compensation from any third party in connection with providing investment advice to you nor do we compensate any individual or firm for client referrals.

Refer to the *Brokerage Practices* section above for disclosures on research and other benefits we may receive resulting from our relationship with your account custodian.

## **Item 15 Custody**

As paying agent for our firm, your independent custodian will directly debit your account(s) for the payment of our advisory fees. This ability to deduct our advisory fees from your accounts causes our firm to exercise limited custody over your funds or securities. We do not have physical custody of any of your funds and/or securities. Your funds and securities will be held with a bank, broker-dealer, or other qualified custodian. You will receive account statements from the qualified custodian(s) holding your funds and securities at least quarterly. The account statements from your custodian(s) will indicate the amount of our advisory fees deducted from your account(s) each billing period. You should carefully review account statements for accuracy.

### **Standing Letters of Authorization**

With respect to third party standing letters of authorization ("SLOA"), where a client may grant CAFG the authority to direct custodians to disburse funds to one or more third party accounts, we are deemed to have limited custody. However, we are not required to comply with the surprise examination requirement of the Custody Rule, if we are otherwise in compliance with the seven representations noted in the no-action letter issued by the SEC on February 21, 2017, (the "SEC no-action letter"). Pursuant to Rule 206(4)-2 (the "Custody Rule"), we have taken steps to have controls and oversight in place to support the SEC no-action letter. Where the Adviser acts pursuant to a SLOA, we believe we are making a good faith effort to comply with the representations noted in the SEC's no-action letter. Additionally, since many of those representations involve the qualified custodian's operations, we will collaborate closely with our custodians to ensure that the representations are being met.

## **Item 16 Investment Discretion**

Before we can buy or sell securities on your behalf, you must first sign our discretionary management agreement and the appropriate trading authorization forms. Portfolio management services are exclusively offered through our Wrap Fee Program. Please see our ADV 2A - Appendix 1 for additional information regarding investment discretion.

## **Item 17 Voting Client Securities**

Regardless of whether CAFG has discretion over a client's account(s), we will not vote proxies on behalf of any client. At a client's request, CAFG may offer advice regarding corporation actions and the exercise of proxy rights.

CAFG will instruct the qualified, independent custodian to forward all proxy materials to the client to review and make his or her own informed decision on how to vote. In the event we receive the proxy material, we will forward them directly to the client by mail or by electronic mail (if the client has authorized electronic communication).



## **Item 18 Financial Information**

Under no circumstances does CAFG require or solicit the payment of fees in excess of \$1,200 per client and more than six months in advance. Nor does CAFG take custody of client funds or securities. Therefore, we are not required to include a financial statement. CAFG does not have any financial issues that would impair its ability to provide services to clients, and CAFG has not been the subject of a bankruptcy petition at any time during the past ten years.

## **Item 19 Requirements for State-Registered Advisers**

We are a federally registered investment adviser; therefore, we are not required to respond to this item.

## **Item 20 Additional Information**

### **Trade Errors**

In the event a trading error occurs in your account, our policy is to restore your account to the position it should have been in had the trading error not occurred. Depending on the circumstances, corrective actions may include canceling the trade, adjusting an allocation, and/or reimbursing the account.

### **Class Action Lawsuits**

We do not determine if securities held by you are the subject of a class action lawsuit or whether you are eligible to participate in class action settlements or litigation nor do we initiate or participate in litigation to recover damages on your behalf for injuries as a result of actions, misconduct, or negligence by issuers of securities held by you.

### **IRA Rollover Considerations**

As part of our investment advisory services to you, we may recommend that you withdraw the assets from your employer's retirement plan and roll the assets over to an individual retirement account ("IRA") that we will manage on your behalf. If you elect to roll the assets to an IRA that is subject to our management, we will charge you an asset based fee as set forth in the agreement you executed with our firm. This practice presents a conflict of interest because persons providing investment advice on our behalf have an incentive to recommend a rollover to you for the purpose of generating fee based compensation rather than solely based on your needs. You are under no obligation, contractually or otherwise, to complete the rollover. Moreover, if you do complete the rollover, you are under no obligation to have the assets in an IRA managed by our firm.

Many employers permit former employees to keep their retirement assets in their company plan. Also, current employees can sometimes move assets out of their company plan before they retire or change jobs. In determining whether to complete the rollover to an IRA, and to the extent the following options are available, you should consider the costs and benefits of:

1. Leaving the funds in your employer's (former employer's) plan.
2. Moving the funds to a new employer's retirement plan.
3. Cashing out and taking a taxable distribution from the plan.
4. Rolling the funds into an IRA rollover account.

Each of these options has advantages and disadvantages and before making a change we encourage you to speak with your CPA and/or tax attorney.

If you are considering rolling over your retirement funds to an IRA for us to manage here are a few points to consider before you do so:

1. Determine whether the investment options in your employer's retirement plan address your needs or whether you might want to consider other types of investments.
  - a. Employer retirement plans generally have a more limited investment menu than IRAs.
  - b. Employer retirement plans may have unique investment options not available to the public such as employer securities, or previously closed funds.
2. Your current plan may have lower fees than our fees.
  - a. If you are interested in investing only in mutual funds, you should understand the cost structure of the share classes available in your employer's retirement plan and how the costs of those share classes compare with those available in an IRA.
  - b. You should understand the various products and services you might take advantage of at an IRA provider and the potential costs of those products and services.
3. Our strategy may have higher risk than the option(s) provided to you in your plan.
4. Your current plan may also offer financial advice.
5. If you keep your assets titled in a 401k or retirement account, you could potentially delay your required minimum distribution beyond age 70.5.
6. Your 401k may offer more liability protection than a rollover IRA; each state may vary.
  - a. Generally, federal law protects assets in qualified plans from creditors. Since 2005, IRA assets have been generally protected from creditors in bankruptcies. However, there can be some exceptions to the general rules so you should consult with an attorney if you are concerned about protecting your retirement plan assets from creditors.
7. You may be able to take out a loan on your 401k, but not from an IRA.
8. IRA assets can be accessed any time; however, distributions are subject to ordinary income tax and may also be subject to a 10% early distribution penalty unless they qualify for an exception such as disability, higher education expenses or the purchase of a home.
9. If you own company stock in your plan, you may be able to liquidate those shares at a lower capital gains tax rate.
10. Your plan may allow you to hire us as the manager and keep the assets titled in the plan name.

It is important that you understand the differences between these types of accounts and to decide whether a rollover is best for you. Prior to proceeding, if you have questions contact your investment adviser representative, or call our main number as listed on the cover page of this brochure.