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# Souders Financial Advisors, LLC

## Wrap Fee Program Brochure Form ADV Part 2A, Appendix 1 *September 17, 2018*

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**Firm Contact: Patrick D. Hayes**  
**Chief Compliance Officer**

### **Item 1 - Cover Page**

This wrap fee program Brochure provides information about the qualifications and business practices of Souders Financial Advisors, LLC (“Souders,” “SFA,” or “firm”). If you have any questions about the contents of this Brochure, please contact us at (513) 598-2400. 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 our firm is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) by searching CRD #296780.

Please note that the use of the term “registered investment adviser” and description of our firm and/or our associates as “registered” does not imply a certain level of skill or training. Clients are encouraged to review this Brochure and Brochure Supplements for our firm’s associates who advise clients for more information on the qualifications of our firm and our employees.

## **Item 2 - Material Changes:**

This Brochure, dated September 17, 2018, was prepared in accordance with SEC requirements, and contains the following material changes since the firm submitted its initial registration with the SEC to become registered as an investment adviser in April 2018:

- Updated Item 2 material changes to include additional contact information for the firm.
- Updated multiple items in Item 4, including other names the firm is known by and conducts its business and firm assets under management.

You may also obtain a copy of this brochure by contacting Patrick D. Hayes, Chief Compliance Officer, by phone at 513-629-2763, or by email at [phayes@graydoncs.com](mailto:phayes@graydoncs.com).

Additional information about Souders Financial Advisors is available via the SEC's website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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## Item 4 – Services, Fees and Compensation

### *Firm Overview*

Since 1992, Souders Financial Advisors (previously known as Souders Financial Group, a division of Advantage Investment Management, LLC) has helped individuals, business owners, and corporations plan for their retirement needs. Souders submitted its registration to become an independent investment advisory firm in April of 2018. The firm is 100% privately owned with Daniel Souders, Brian Schweder, and Ryan Bonaventura as majority owners. SFA has one office location at its headquarters in Cincinnati, Ohio, and continues to conduct business as Souders Financial Advisors and Souders Financial Group.

### *Types of Advisory Activities*

SFA's manages assets for many different types of clients to help meet their financial goals while remaining sensitive to risk tolerance and time horizons. As a fiduciary it is the firm's duty to always act in the client's best interest. This is accomplished in part by knowing the client. SFA has established a service-oriented advisory practice with open lines of communication. Working with clients to understand their investment objectives while educating them about the firm's process facilitates the kind of working relationship we value.

Souders Financial Advisors sponsors a Wrap Program and offers its investment advisory services through that program. SFA's wrap fee program allows clients to pay a single fee for investment advisory services and associated custodial transaction costs. By participating in a wrap fee program, clients may end up paying more or less through a non-wrap fee program where a lower advisory fee is charged, but trade execution costs are passed directly through to the client by the executing broker.

### *Our Wrap Advisory Services*

- **Wrap Program:** SFA provides the wrap advisory services based on each individual client's financial circumstances and investment objectives. SFA meets with each client to discuss their current financial conditions and to review their current investment holdings. Based upon each client's circumstances, SFA will determine an appropriate asset allocation for the client's investment portfolio or sub-advisors to implement an agreed allocation, in accordance with the client's specific financial objectives and risk tolerance and in consideration of other factors, including the client's time horizon (education funding, home purchase, retirement, legacy planning), liquidity needs, and other available resources (including external retirement plans, projected social security, outside investments, real estate, and insurance). Each client's financial objectives, risk tolerance, and liquidity needs, along with a recommended asset allocation, are incorporated into their ongoing investment strategy.

- **Fee Schedule:** The maximum annual fee charged for this service will not exceed 1.25%. Fees to be assessed will be outlined in the advisory agreement to be signed by the Client. SFA's general policy is to charge fees in accordance with the fee schedule in effect at the time of the charge, however, all fees are subject to negotiation. Fees will typically be deducted from client account(s). As part of this process, Clients understand the following:
  - The client's custodian sends statements at least quarterly showing the market values for each security included in the Assets and all account disbursements, including the amount of the advisory fees paid to our firm;
  - Clients will provide authorization permitting our firm to be directly paid by these terms. Our firm will send an invoice directly to the custodian; and
  - If our firm sends a copy of our invoice to the client, a legend urging the comparison of information provided in our statement with those from the qualified custodian, will be included.

For the sub-advisory services rendered to our clients, SFA compensates third party investment advisory firms a percentage of the overall investment advisory fee charged by our firm.

Please note, SFA does not charge its clients higher advisory fees based on their trading activity. Nonetheless, you should be aware that Souders has an incentive to limit our trading activities in your account because we are charged for executed trades.

- **Other Types of Fees & Expenses:** The fees not included in the advisory fee for our wrap services are charges imposed directly by a mutual fund, index fund, or exchange traded fund which shall be disclosed in the fund's prospectus (i.e., fund management fees and other fund expenses), mark-ups and mark-downs, spreads paid to market makers, wire transfer fees, fees for trades executed from custodian, and other fees and taxes on brokerage accounts and securities transactions.
- **Wrap Fee Program Recommendation:** The firm may receive more compensation from the client's participation in our wrap fee program than if the client purchased our investment advisory services and Charles Schwab & Co., Inc.'s (Schwab) services separately. As described below, Schwab makes other products and services available to SFA (see "Other Products and Services Available to Us from Schwab"). Consequently, SFA may have an incentive to recommend that a client participate in a wrap fee program and open accounts with Schwab. That incentive may be based on the firm's interest in receiving the products and services rather than based on the client's interest in having the most appropriate fee arrangement for the firm's investment advisory services and the best value in custody services and the most

favorable execution of client transaction. SFA believes, however, that the recommendation to the wrap fee program (including the use of Schwab as custodian and broker) is in the best interests of those clients to whom SFA recommends it based on (a) an assessment of their investment objectives, financial situation, the firm's investment plans, and anticipated trading activity in their accounts and all other relevant factors, and (b) the scope, quality, and price of Schwab's services. It is not based on Schwab's payment for third party services that benefit only us.

### ***Assets Under Management***

As of July 31, 2018, SFA was actively managing \$284,722,363 of clients' assets on a discretionary basis, plus \$20,491,651 of clients' assets on a non-discretionary basis.

## **Item 5 – Account Requirements & Types of Clients**

SFA provides portfolio management services to individuals, high net worth individuals, trusts, and corporate retirement plans.

SFA generally does not require a minimum account size to open a portfolio.

## **Item 6 – Portfolio Manager Selection & Evaluation**

### ***Selection of Portfolio Managers***

SFA's investment adviser representatives ("IARs") act as portfolio managers for this wrap fee program. A conflict arises in that other investment advisory firms may charge the same or lower fees than our firm for similar services. Our IARs are subject to individual licensing requirements as imposed by state securities boards. Our firm is required to confirm or update each IARs Form U4 on an annual basis. IAR supervision is conducted by our Chief Compliance Officer and the firm compliance committee which includes senior management personnel.

### ***Advisory Business***

Information about SFA's wrap fee services can be found in Item 4 of this brochure. SFA offers individualized investment advice to our Wrap Program clients.

Each Wrap Program client has the opportunity to place reasonable restrictions on the types of investments to be held in the portfolio. Restrictions on investments in certain securities or types of securities may not be possible due to the level of difficulty this would entail in managing the account.

### ***Participation in Wrap Fee Programs***

SFA only offers wrap fee accounts to our clients, which are managed on an individualized basis according to the client's investment objectives, financial goals, risk tolerance, etc.

### ***Performance-Based Fees & Side-By-Side Management***

Our firm does not charge performance-based fees.

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

When providing management and consulting services, SFA relies upon general securities and market knowledge, published investment strategies, and general sources of securities and market information. The firm makes recommendations relating to various investment asset types it believes will meet a client's individualized needs. SFA assists each client in tailoring their long-term investment goals that are representative and suitable to their personal situation. The tailored investment strategy will also be diversified in order to mitigate investment risks.

SFA uses the following strategies in managing client accounts:

- Longer-term purchases: The firm will purchase securities for certain strategies with the idea of holding them in the client's account for more than a year.
- Short-term Purchases: The firm purchases securities with the belief that selling them within the year. SFA does this in attempt to take advantage of a belief of a favorable price swing.

Investment returns are not guaranteed. While investing in securities SFA's clients may lose money on their investments. The firm works with their clients to help understand their tolerance for risk. SFA feels that asset allocation or the process of diversifying money across different asset classes maximizes return and minimizes risk. Asset allocation does not ensure a profit or guarantee against loss, it is a method to help manage investment risk. Investing in securities involves risk of loss that clients should be prepared to bear.

### ***Voting Client Securities***

As a matter of firm policy and practice, SFA does not have any authority to and does not vote proxies on behalf of advisory clients. Third party money managers selected or recommended by our firm may vote proxies for clients. Except in the event a third party money manager votes proxies, clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially 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. In the event that proxies are sent to our firm, our firm will forward them to the appropriate client and ask the party who sent them to mail them directly to the client in the future. SFA may provide advice to clients regarding the clients' voting of proxies.

## **Item 7 – Client Information Provided to Portfolio Managers**

SFA's financial advisors work with clients directly to understand their current financial situation, existing resources, financial goals, and tolerance for risk. The firm urges clients to communicate any significant changes to their financial or personal circumstances, so the firm can consider such information in managing their investments. Please see the firm's Privacy Policy for more information on how the firm utilizes client information.

## **Item 8 – Client Contact with Portfolio Managers**

Clients are welcome to bring any questions or concerns about the management of their portfolios to our firm. At the client's request, and typically no less than annually, SFA portfolio managers meet with their clients and review their accounts.

## **Item 9 – Additional Information**

### ***Disciplinary Information***

There are no legal or disciplinary events that are material to the evaluation of our advisory business or the integrity of our management.

### ***Financial Industry Activities & Affiliations***

Licensed Insurance Agents. Certain SFA portfolio managers also serve as licensed insurance agents. The recommendation that a client purchase an insurance commission product from an SFA portfolio manager in his individual capacity as an insurance agent presents a conflict of interest, as the receipt of commissions may provide an incentive to recommend insurance products based on commissions to be received, rather than on a particular client's need. No client is under any obligation to purchase any insurance commission products from an SFA portfolio manager. Clients are reminded that they may purchase insurance products recommended by SFA through other non-affiliated insurance agents.

Registered Representatives of Private Client Services, LLC ("PCS"). Certain SFA portfolio managers also serve as registered representatives of PCS, a FINRA-registered broker dealer, and receive compensation related to the placement of certain investment products. This presents a conflict of interest, as the recommendation by SFA portfolio managers of certain investment products through PCS would economically benefit portfolio managers of SFA through receipt of commissions. This could provide an incentive to recommend investment products based on commissions to be received, rather than on a particular client's need. No client is under any obligation to purchase any investment product recommended by an SFA portfolio manager through their registration with PCS. Clients are reminded that they may purchase investment products through other non-affiliated registered representatives and broker-dealers.



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

SFA has adopted a Code of Ethics that will apply to all of the Firm's supervised persons and sets forth the standard of conduct by which each individual should carry out his/her respective obligations. Specifically, this document presents the Firm's fundamental standard of conduct and shall address issues pertaining to:

- Privacy of Client Non-Public Personal Information
- Insider Trading;
- Personal Securities Transactions;
- Receipt of Gifts;
- Political Contributions.

All supervised persons at SFA must acknowledge the terms of the Code of Ethics annually, or as amended.

Subject to satisfying this policy and applicable laws, officers, directors and employees of SFA may trade for their own accounts in securities which are recommended to and/or purchased for SFA's clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of SFA will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of SFA's clients. In addition, the Code requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between SFA and its clients. SFA's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting its Chief Compliance Officer, Patrick D. Hayes.

### ***Review of Accounts***

SFA reviews client portfolio accounts on a daily basis through the use of portfolio accounting software to monitor allocations. SFA also provides ongoing access to our website where clients can view their portfolio on a daily basis.

### ***Other Compensation:***

In addition to compensating the firm for portfolio management, and other services to clients, the wrap fees clients pay allows SFA to pay Schwab for the brokerage services it provides to clients. The fees paid to Schwab consist primarily of asset-based fees assessed on the total

assets (including stocks, bonds, mutual funds, and cash) in all clients' wrap fee program accounts maintained at Schwab.

In addition to the asset-based fee described above, the firm pays Schwab certain other fees that it would otherwise charge to clients. These fees may include (a) flat dollar per trade fees for Schwab's prime brokerage and trade away services (through which the firm can have trades for client accounts at Schwab executed by broker-dealers other than Schwab), (b) transaction-based fees imposed on Schwab by regulatory organizations and exchanges and fees to offset processing costs incurred by Schwab for the exchange of securities for equity, options or other covered security sell transaction, and (c) short-term redemption fees on no-transaction-fee mutual funds (including, but not limited to, those available through Schwab's Mutual Fund OneSource®).

### *Products & Services Available from Schwab*

Schwab Advisor Services (formerly called Schwab Institutional) is Schwab's business serving independent investment advisory firms like SFA. They provide the firm and clients with access to its institutional brokerage – trading, custody, reporting and related services – many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help manage or administer client accounts while others help manage and grow SFA's business. Schwab's support services are generally available on an unsolicited basis and at no charge. The availability to SFA of Schwab's products and services is not based on giving particular investment advice, such as buying particular securities for our clients. A more detailed description of Schwab's support services follows:

- **Services that Benefit Clients:** Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. Schwab may also aid in the payment of fees associated with the custodial transfer. The investment products available through Schwab include some to which the firm might not otherwise have access to or that would require a significantly higher minimum initial investment by firm clients. Schwab's services described in this paragraph generally benefit clients and their accounts.
- **Services that May Not Directly Benefit Clients:** Schwab also makes available other products and services benefiting our firm but may not directly benefit clients or their accounts. These products and services assist in managing and administering our client accounts. They include investment research, both Schwab's and that of third parties. This research may be used to service all or some substantial number of client accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

- provides access to client account data (such as duplicate trade confirmations and account statements);
  - facilitates trade execution and allocate aggregated trade orders for multiple client accounts;
  - provides pricing and other market data;
  - facilitates payment of our fees from our clients' accounts; and
  - assists with back-office functions, recordkeeping and client reporting.
- **Services that Generally Benefit Only Our Firm:** Schwab also offers other services intended to help manage and further develop our business enterprise. These services include:
    - marketing, educational conferences and events;
    - technology, compliance, legal, and business consulting;
    - publications and conferences on practice management and business succession; and
    - access to employee benefits providers, human capital consultants, and insurance providers.

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

Irrespective of direct or indirect benefits to the firm's client through Schwab, SFA strives to enhance the client experience, help clients reach their goals, and put client interests before that of our firm or associated persons.

- **Our Interest in Schwab's Services:** The availability of these services from Schwab benefits the firm because SFA does not have to produce or purchase them. The firm does not have to pay for Schwab's services. These services are not contingent upon committing any specific amount of business to Schwab in trading commissions or assets in custody. This arrangement may serve as an incentive to recommend clients maintain their account with Schwab based on interest in receiving Schwab's services benefiting SFA rather than based on the client's interest in receiving the best value in custody services and the most favorable execution of transactions. This is a potential conflict of interest. SFA believes, however, that the selection of Schwab as custodian and broker is in the best interests of the clients. It is primarily supported by the scope, quality and price of Schwab's services and not Schwab's services that benefit only the firm. As a matter of firm practice, SFA does not pay referral fees to affiliated or independent persons or firms ("Solicitors") for introducing certain clients to us.

### ***Client Referrals***

SFA receives an economic benefit from Schwab in the form of the support products and services it makes available to the firm and other independent investment advisors that have their clients maintain accounts at Schwab. These products and services, how they benefit the firm, and the related conflicts of interest are described above (see Item 12 - Brokerage Practices). The availability of Schwab's products and services to the firm is not based on our giving particular investment advice, such as buying particular securities for our clients.

### ***Financial Information***

SFA does not solicit fees of more than \$1,200 per client, six months or more in advance. SFA is unaware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments relating to its discretionary authority over certain client accounts. SFA has not been the subject of a bankruptcy proceeding.