



**Form ADV Part 2A – Firm Brochure**

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This Brochure provides information about the qualifications and business practices of BFSG, LLC doing business as Benefit Financial Services Group, "BFSG". If you have any questions about the contents of this Brochure, please contact us at 714-282-1566. 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.

BFSG, LLC is registered as an Investment Adviser with the Securities and Exchange Commission. Registration of an Investment Adviser does not imply any level of skill or training.

Additional information about BFSG is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) which can be found using the firm's identification number 143617.

## Item 2: Material Changes

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Since our last annual update, dated March 27, 2019, BFSG's parent company, Focus Operating, LLC acquired Stevens First Principles Investment Advisors ("SFPIA"), a SEC registered investment advisor (CRD #108502), effective July 1, 2019. SFPIA and BFSG have been merged into a single registered investment adviser, BFSG, LLC, doing business as Benefit Financial Services Group ("BFSG"). SFPIA clients have assigned their advisory agreements to BFSG and will continue to be managed by the same team. SFPIA has ceased conducting business as an advisory firm and intends to withdrawal SEC registration by filing ADV-W.

Effective July 1, 2019, Rachel Fequiere has retired from BFSG and subsequently resigned from the management company, Retirement Plan Consulting Group, LLC. ("RPCG, LLC"), which is responsible for the management, supervision and oversight of BFSG, LLC. Mrs. Fequiere has surrendered her unvested ownership in RPCG, LLC and the shares have been transferred to Tina Schackman who joined BFSG on March 14, 2019. Mrs. Schackman is a managing member of RPCG, LLC.

Previously, Pacwest was operating as a separate unit within the BFS Wealth Management division. Effective July 1, 2019, Pacwest will change its name to BFSG and cease using the Doing Business As ("DBA") names of Pacwest and Pacwest, a part of the BFS Wealth Management division. Clients were notified of the name change.

In July 2018, Focus Financial Partners Inc. conducted an initial public offering ("IPO") of shares of its common stock. Focus Financial Partners Inc. is the sole managing member of Focus Financial Partners, LLC and as of the IPO owned approximately two-thirds of the economic interests in Focus Financial Partners, LLC. Because BFSG is an indirect, wholly-owned subsidiary of Focus Financial Partners, LLC, BFSG is an indirect, majority-owned subsidiary of Focus Financial Partners Inc., a public company.

*Item 4 Advisory Business* has been revised to reflect this new ownership structure. As explained in more detail in *Item 4* below, BFSG has a new advisory service, an automated investment program ("Wealth Accumulator") designed for individuals with a minimum investment of at least \$5,000. The Wealth Accumulator portfolios are a globally diversified mix of exchange-traded funds built on the same philosophy as the firm's custom asset allocation models available to our institutional clients.

BFSG has two divisions: BFS Institutional Services and BFS Wealth Management. In connection with the annual updating amendment, we have combined into a single ADV 2A brochure what previously were separate brochures for the two divisions.

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# Item 4: Advisory Business

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## Description of Advisory Firm

BFSG, LLC, doing business as Benefits Financial Services Group, is a limited liability company formed in the State of Delaware. BFSG, LLC has been in business as an investment adviser, registered with the Securities and Exchange Commission since 2007.

BFSG is part of the Focus Financial Partners, LLC (“Focus LLC”) partnership. Specifically, BFSG is a wholly-owned subsidiary of Focus Operating, LLC (“Focus Operating”), which is a wholly-owned subsidiary of Focus LLC. Focus Financial Partners Inc. (“Focus Inc.”) is the sole managing member of Focus LLC and is a public company traded on the NASDAQ Global Select Market. Focus Inc. owns approximately two-thirds of the economic interests in Focus LLC.

Focus Inc. has no single 25% or greater shareholder. Focus Inc. is the managing member of Focus LLC and has 100% of its governance rights. Accordingly, all governance is through the voting rights and Board at Focus Inc. As of the end of 2018, investment vehicles affiliated with Stone Point Capital, LLC (“Stone Point”) had a greater than 25% voting interest in Focus Inc., and Stone Point had the right to designate two of seven directors on the Focus Inc. Board. As of the end of 2018, investment vehicles affiliated with Kohlberg Kravis Roberts & Co. L.P. (“KKR”) had a less than 25% voting interest in Focus Inc., and KKR had the right to designate one of seven directors on the Focus Inc. Board.

Focus LLC also owns other registered investment advisers, broker-dealers, pension consultants, insurance firms, and other financial service firms (the “Focus Partners”), most of which provide wealth management, benefit consulting and investment consulting services to individuals, families, employers, and institutions. Some Focus Partners also manage or advise limited partnerships, private funds, or investment companies as disclosed on their respective Form ADVs.

BFSG has two divisions that offer separate advisory services: BFS Wealth Management and BFS Institutional Services.

BFSG, LLC is managed by John Campbell, Patrick Powers, Grace Lau, Tina Schackman, Christopher Rowey, and Darren Stewart (“BFSG, LLC Principals”), pursuant to a management agreement between Retirement Plan Consulting Group, LLC. (“RPCG, LLC”) and BFSG, LLC. The BFSG, LLC Principals serve as officers of BFSG, LLC and are responsible for the management, supervision and oversight of BFSG, LLC. Patrick Powers, Grace Lau, and Steven Yamshon are the Managing Principals of BFS Wealth Management. John Campbell is the Managing Principal of BFS Institutional Services. Michael Allbee is the Chief Compliance Officer of BFSG.

As of December 31, 2018, our assets under management are \$444,818,259 and our assets under consultation are \$10,346,552,286. Assets under consultation are assets for which we provide ongoing recommendations based upon the needs of the retirement plan sponsor client, as to which specific securities or other investments to make available to its plan participants, as well as other services set forth in the Consulting Agreement.

## **Our Advisory Services**

### ***BFS Wealth Management***

At BFS Wealth Management, we believe that through hard work, decades of experience, and precise attention to detail we can help our clients achieve their financial goals. Wealth management is a more holistic service than just offering investment management and may include financial planning, pension consulting, and advising on estate planning and insurance needs. Our commitment is to create fundamentally sound, well-constructed, diversified portfolios tailored to each client's needs and goals. We monitor the investments to evaluate performance against appropriate market-based benchmarks and modify each portfolio strategy as needed to support a measurable outcome.

Individual investors, employer-directed retirement plans, corporations, trust estates, and charitable trusts have all benefitted from our expertise. Through our client focused approach, we offer our clients the following advisory services:

#### **Financial Planning**

Basic financial planning services are included in the advisory services we offer to clients, except for our Automated Investment Program services, as specified in our contract with you. We additionally offer more involved and complex financial planning on an hourly basis.

Financial planning is a comprehensive evaluation of your current and future financial state by using currently known variables based on information you disclose to predict future cash flows, asset values and withdrawal plans. The key defining aspect of financial planning is that through the financial planning process, all questions, information and analysis will be considered as they impact and are impacted by your entire financial and life situation. You will receive a written or an electronic report, providing a detailed financial plan designed to achieve your stated financial goals and objectives. Please remember to contact us, in writing, if there are any changes in your personal/financial situation so that we can review whether the changes impact our previous recommendations.

You always have the right to decide whether to act upon our recommendations. If you elect to act on any of the recommendations, you always have the right to choose the firm that will provide portfolio management services.

### Investment Portfolio Management

We offer discretionary and nondiscretionary investment management services in accordance with your individual needs. Through personal discussions about your investment history, financial circumstances and goals, we determine your investment objectives and develop an asset allocation plan which will guide the management of your portfolio. Target asset allocations range from 100% equities to 100% fixed income and may include private investments.

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

- Exchange-listed securities
- Securities traded over-the-counter
- Foreign issuers
- Warrants
- Corporate debt securities (other than commercial paper)
- Certificates of deposit
- Municipal securities
- Mutual fund shares
- United States governmental securities
- Interests in partnerships investing in real estate
- Interests in partnerships investing in private equity
- Non-public real estate investment trusts
- Private investments

Our investment strategies typically focus on multi capitalization publicly listed stocks (ranging from small- to large-sized companies), as well as exchange traded funds and/or mutual funds. When appropriate (i.e., depending on advisory account size) or when preferred by you, our investment strategies will utilize only exchange traded funds and/or mutual funds. When appropriate (i.e., depending on advisory account size), we recommend that certain clients invest a portion of their assets with independent third-party money managers who manage client assets in accordance with a specific strategy we believe to be appropriate for your account. You should refer to the selected independent third-party money manager's Form ADV Part 2A or other disclosure document for a full description of the services offered. Currently,

we do not recommend that our clients make new investments in private investment funds. However, we have recommended private investment funds to our clients in the past and may do so again in the future under appropriate circumstances.

#### Automated Investment Program

We offer an automated investment program (“Wealth Accumulator”) to individuals which gives clients access to our investment strategies, with limited personalized service and no financial planning services, for a discounted fee. Through Wealth Accumulator, account(s) are invested in a range of investment strategies constructed and managed, each consisting of a portfolio of exchange-traded funds (“ETFs”) and a cash allocation. Clients utilizing Wealth Accumulator may instruct us to exclude up to three ETFs from the portfolio.

Portfolios in Wealth Accumulator are held in a brokerage account opened by the client at Charles Schwab & Co., Inc. (“CS&Co.”). We use the Institutional Intelligent Portfolios® platform (“Platform”), offered by Schwab Performance Technologies (“SPT”), a software provider to independent investment advisors and an affiliate of CS&Co., to operate Wealth Accumulator. We are independent of and not owned by, affiliated with, or sponsored or supervised by SPT, CS&Co., or their affiliates (together, “Schwab”).

We, and not Schwab, are the investment advisor and primary point of contact with respect to the automated investment program. We are solely responsible, and Schwab is not responsible, for determining the appropriateness of Wealth Accumulator for our clients, choosing a suitable investment strategy and portfolio for each client’s investment needs and goals, and managing that portfolio on an ongoing basis.

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

We charge clients a fee for our services as described under *Item 5 Fees and Compensation*. Our fees are not set or supervised by Schwab. Clients do not pay brokerage commissions or any

other fees to CS&Co. as part of Wealth Accumulator. Schwab does receive other revenues, including (i) the profit earned by Charles Schwab Bank, a Schwab affiliate, on the allocation to the Schwab Intelligent Portfolios Sweep Program described in the Schwab Intelligent Portfolios Sweep Program Disclosure Statement; (ii) investment advisory and/or administrative service fees (or unitary fees) received by Charles Schwab Investment Management, Inc., a Schwab affiliate, from Schwab ETFs™, Schwab Funds® and Laudus Funds® that we select to buy and hold in the client's brokerage account; (iii) fees received by Schwab from third-party ETFs that participate in the Schwab ETF OneSource™ program and mutual funds in the Schwab Mutual Fund Marketplace® (including certain Schwab Funds and Laudus Funds) in the client's brokerage account for services Schwab provides; and (iv) remuneration Schwab may receive from the market centers where it routes ETF trade orders for execution.

We do not pay SPT fees for the Platform so long as we maintain \$100 million in client assets in accounts as CS&Co. that are not enrolled in Wealth Accumulator. If we do not meet this condition, then we pay SPT an annual licensing fee of 0.10% (10 basis points) on the value of our clients' assets in Wealth Accumulator. This fee arrangement gives us an incentive to recommend or require that our clients with accounts not enrolled in Wealth Accumulator be maintained with CS&Co.

### **Client Tailored Services and Client Imposed Restrictions**

We offer the same suite of services to all of our clients. However, specific client services and their implementation are dependent upon your Investment Policy Statement, or suitability questionnaire, which outlines your current situation (income, tax levels, and risk tolerance levels) and is used to construct a specific plan to aid in the selection of a portfolio that matches your restrictions, needs, and targets. You can also receive investment advice on a more focused basis. This may include advice on only an isolated area(s) of concern such as estate planning, specific consultation regarding investment and financial concerns, or any other specific topic. Furthermore, the independent third-party money managers may have asset minimums imposed.

You may impose reasonable restrictions on investing in a particular security, a type of security, or industry sectors. You must notify us in writing of specific restrictions.

### **Services to Retirement Plans**

BFS Wealth Management advises certain retirement plan sponsors on the selection and monitoring of mutual funds offered to participant-directed retirement plans. Most of our Firm's services to retirement plans are offered through BFS Institutional Services. The range of



services we provide to retirement plans and our fiduciary responsibilities under ERISA are summarized in the BFS Institutional Services section below.

## **BFS Institutional Services**

Using the standards set forth in governing law, such as the Employee Retirement Income Security Act (ERISA), California Constitution, Government Code, and the Uniform Prudent Management of Institutional Funds Act (UPMIFA), BFS Institutional Services advises plan sponsors, committees, and fiduciaries in understanding and addressing responsibilities to their plan, participants and beneficiaries.

We emphasize the development and implementation of proactive prudent processes which help fiduciaries provide participants an effective retirement tool, while lowering or limiting their liability. Our team-based approach ensures each of our clients has access to the knowledge and expertise of our experienced retirement and investment professionals. Maintaining optimal client service is our top priority. We realize that the retirement plan and institutional marketplace is constantly changing, and therefore keeping clients informed is of critical importance.

### **Pension Consulting Services**

We offer the following services to retirement plan sponsors:

#### **Investment & Compliance Consulting**

We offer ongoing investment and compliance consulting services, which include, but are not limited to, formalizing committee processes, reviewing and recommending investment managers, quarterly investment reviews, annual review of plan costs/revenues and fiduciary education. Unless our discretionary service is used, the retirement plan sponsor retains and exercises, the final decision-making authority for implementing or rejecting our recommendations with respect to investment selection and de-selection. We acknowledge that we are a fiduciary within the meaning of Section 3(21) of ERISA (but only with respect to the provision of services described in the Consulting Agreement with you).

#### **Vendor Search & Selection/Benchmarking**

We assist retirement plan sponsors with vendor search and selection processes, including:

- Customize Request for Proposal (RFP) based upon client's needs and objectives
- Develop list of vendor candidates to send RFP
- Prepare provider analysis with proprietary scoring methodology

## **Fiduciary Structure & Cost Assessment**

We review service provider arrangements, fiduciary procedural prudence and benchmark plan costs and revenues.

- Outline all plan-related costs and revenues back to service providers
- Provide comparison on Plan costs and revenues for benchmarking purposes
- Review plan design and features
- Provide options for potential revenue recapture options, if applicable

## **Discretionary Fiduciary Services**

We accept discretionary fiduciary responsibility within the meaning of Section 3(38) of ERISA for the investment selection and monitoring process of investment options in a retirement plan (with the exception of company stock).

## **Participant Education/Communication**

We create and deliver educational workshops and enrollment meetings for plan participants under the terms of the Consulting Agreement.

- Create and deliver educational workshops for plan participants
- Prepare customized participant communications
- Conduct enrollment meetings

## **Fiduciary Advisor Monitoring**

We provide monitoring on an annual basis of Plan Sponsor's fiduciary advisor program which offers investment advice services to participants.

## **Fiduciary Services**

BFSG is a fiduciary under the Employee Retirement Income Security Act of 1974, as amended ("ERISA") with respect to investment management services and investment advice provided to ERISA plan clients, including ERISA plan participants. BFSG is also a fiduciary under the Internal Revenue Code (the "IRC") with respect to investment management services and investment advice provided to ERISA plans, ERISA plan participants, IRAs and IRA owners (collectively, "Retirement Account Clients"). As such, BFSG is subject to specific duties and obligations under ERISA and the IRC that include, among other things, prohibited transaction rules which are intended to prohibit fiduciaries from acting on conflicts of interest. When a fiduciary gives advice in which it has a conflict of interest, the fiduciary must either avoid or eliminate the conflict or rely upon a prohibited transaction exemption (a "PTE").

## **Managed Account Service**

Under our Managed Account Service, we are responsible for managing retirement plan participant accounts until the individual elects to discontinue the Managed Account Service. Eligible participants are enrolled in the Managed Account Service in accordance with rules established by the retirement plan sponsor. Based on personal criteria and financial information provided by the plan sponsor or by each participant, we select investment allocations on a discretionary basis using the investment options that are available within the retirement plan, as defined by the retirement plan sponsor. Company stock, brokerage account holdings, and certain specific other investments may be excluded from our recommendations. Excluded investments are taken into account when making allocation recommendations. Transaction instructions are then sent to the plan provider to implement our recommended retirement strategy in the participant's plan account. A participant can elect to discontinue participating in the Managed Account Service at any time.

## **Client Tailored Services and Client Imposed Restrictions**

For clients in our Managed Accounts Service, specific participant services and their implementation are dependent upon the participant's current situation (years until retirement and risk tolerance levels) and is used to construct a participant-specific portfolio that matches restrictions, needs, and targets. For clients in our Pension Consulting, we offer general investment advice. For clients using our Discretionary Fiduciary Services, we usually allow clients to impose restrictions on investing in certain asset classes.

# **Item 5: Fees and Compensation**

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How we are paid depends on the type of advisory service we are performing.

## **Investment Portfolio Management Fees**

Our annual fees for Investment Portfolio Management Services are based upon a percentage of assets under management and generally range from **0.25%** to **1.25%** depending on the scope of the services to be provided, the investment strategies implemented (individual publicly listed stocks versus exchange traded funds and/or mutual fund only strategies) and the complexity of your financial situation. A total minimum fee of up to **\$5,500/year** may be required for this service. A minimum of **\$100,000** of assets under management may be required for this service. The specific annual fee schedule, minimum account size, and minimum fee is identified in the contract between us and you. In a few situations, the fees can exceed 1.25% due to the minimum fee charged as a percentage of the assets under management. We may bill on assets under management held away from the recommended qualified custodian. Certain clients are

charged fixed fees ranging from \$300 to \$3,000. This fixed fee depends on account size (i.e. small accounts such as 529 educational plans) and the complexity of the needs of the client (i.e., deferred retirement plan accounts). The specific fixed fee is identified in the contract between us and you. We will not increase our fee without giving prior written notification to you.

*Limited Negotiability of Advisory Fees:* We retain the discretion to negotiate fees on a client-by-client basis and to waive minimum fees and the minimum account size. Client facts, circumstances and needs are considered in determining the fee schedule. These include the complexity of the client, assets to be placed under management, anticipated future additional assets, related accounts, portfolio style, account composition, and reports, among other factors. Discounts, not generally available to our advisory clients, may be offered to family members and friends of associated persons of our firm. We retain the discretion to group certain related client accounts for the purposes of determining the annualized fee and to give fee breakpoints based on the amount of total assets in the group. Advisory fees will vary among clients.

Fees are payable as specified in our contract with you, within the first 10 business days of the calendar quarter. Fees are billed quarterly in advance or quarterly in arrears as specified in our contract with you. You will be given an invoice at the end of each quarter for investment portfolio management services provided. Fees are typically automatically deducted from your account each quarter. In certain instances, such as when your account is a retirement plan, we may bill you so as not to use assets in deferred tax accounts for fees. Fees are prorated for accounts opened during the quarter based on the number of days that the account was open during the quarter and adjusted to cover contributions made during that period as specified in the contract between us and you.

We determine fees based on the market value of your account's assets as of the last business day of the prior calendar quarter. We will make a good faith determination of the market value of any security which does not have a readily ascertainable market value. In such cases, we generally rely on valuations provided by the investment sponsor in making our fair value determination.

If any portion of your assets is managed by independent third-party money managers, you will be responsible for the fees of those managers, in addition to our fees. We do not control the fees or the billing arrangements of certain selected independent third-party money managers. For a complete description of the fee arrangement including billing practices, minimum account requirements, and account termination provisions, you should review the selected manager's Form ADV Part 2A or other disclosure document.

## Automated Investment Program Fees

Annual fees for our Automated Investment Program (“Wealth Accumulator”) are based upon a percentage of assets under management and generally range from **0.50%** to **0.85%**. The specific annual fee schedule and minimum fee is identified in the contract between us and the client. We will not increase our fee without giving prior written notification to you. The minimum investment required to open an account in Wealth Accumulator is \$5,000. The minimum account balance to enroll in the tax-loss harvesting feature is \$50,000. Our fees are not set or supervised by Schwab. As described in *Item 4 Advisory Business*, clients do not pay fees to SPT or brokerage commissions or other fees to CS&Co. as part of Wealth Accumulator. Schwab does receive other revenues, including (i) the profit earned by Charles Schwab Bank, a Schwab affiliate, on the allocation to the Schwab Intelligent Portfolios Sweep Program described in the Schwab Intelligent Portfolios Sweep Program Disclosure Statement; (ii) investment advisory and/or administrative service fees (or unitary fees) received by Charles Schwab Investment Management, Inc., a Schwab affiliate, from Schwab ETFs™, Schwab Funds® and Laudus Funds® that we select to buy and hold in the client’s brokerage account; (iii) fees received by Schwab from third-party ETFs that participate in the Schwab ETF OneSource™ program and mutual funds in the Schwab Mutual Fund Marketplace® (including certain Schwab Funds and Laudus Funds) in the client’s brokerage account for services Schwab provides; and (iv) remuneration Schwab may receive from the market centers where it routes ETF trade orders for execution. Brokerage arrangements are further described below in *Item 12 Brokerage Practices*.

*Limited Negotiability of Advisory Fees:* We retain the discretion to negotiate fees on a client-by-client basis. Client facts, circumstances and needs are considered in determining the fee schedule. These include the complexity of the client, assets to be placed under management, anticipated future additional assets, related accounts, portfolio style, account composition, and reports, among other factors. Discounts, not generally available to our advisory clients, may be offered to family members and friends of associated persons of our firm. We retain the discretion to group certain related client accounts for the purposes of determining the annualized fee and to give fee breakpoints based on the amount of total assets in the group. Advisory fees will vary among clients.

Fees are payable as specified in our contract with you, within the first 10 business days of the calendar quarter. Fees are billed quarterly in advance or quarterly in arrears as specified in our contract with you. You will be given an invoice at the end of each quarter for investment portfolio management services provided. Fees are automatically deducted from your account each quarter. Fees are prorated for accounts opened during the quarter based on the number of days that the account was open during the quarter as specified in the contract between us and you.

We determine fees based on your account's asset value as of the last business day of the prior calendar quarter.

## **Financial Planning Hourly Fee**

As discussed above, basic financial planning services are included, for no additional fee, in the services we offer to our clients who engage us to provide portfolio management services, except for our Automated Investment Program service. We additionally offer financial planning on a standalone basis, and more involved and complex financial planning to clients we provide portfolio management services, on an hourly basis at rates determined based on the nature of the services being provided, the complexity of your circumstances and the experience of the financial planner assisting you.

Our Financial Planning fee rates are negotiable and are generally range from **\$50-\$350 per hour**, depending on the complexity of the Financial Plan and the experience level of the financial planner. Fees are agreed upon and specified in the financial planning contract with you. Although the length of time it will take to provide a Financial Plan will depend on your personal situation, we will provide an estimate for the total hours at the start of the advisory relationship. A \$1000 deposit or a deposit equal to two hours may be required depending on the amount of necessary up-front work to be completed (data gathering, interviews, etc.) as specified in the contract with you. We consider fees for financial planning to be earned as progress is realized toward creation of the plan or completion of the service. You will be billed monthly in arrears based on actual hours expended. Any balance is due 30 days after completion of the service.

If you are not a client engaged in our portfolio management services, we reserve the discretion to reduce or waive the hourly fee if you choose to engage us for our portfolio management services.

## **Pension Consulting Fees**

Fees for our pension consulting arrangements are asset-based, fixed or hourly. BFS Wealth Management typically charges asset-based pension consulting fees, and BFS Institutional Services typically charges fixed or hourly pension consulting fees.

Asset-based fees are determined on a case-by-case basis, after considering various factors such as complexity of the client, assets to be placed under management, anticipated future additional assets, related accounts, account composition, and reports to be provided as part of our services. Fees generally range from **0.35%** to **0.55%** on plan assets per year. Asset-based fees are payable in the manner specified in our contract with the retirement plan sponsor, and generally are monthly or quarterly in arrears. BFS Wealth Management's fees for Pension

Consulting services are paid to us by the retirement plan sponsor, who shares with our firm a percentage of the fees received from you.

Fixed fees and hourly fees are determined on a case-by-case basis, after considering various factors such as the complexity of the client, assets to be placed under management, anticipated future additional assets, related accounts, account composition, and reports to be provided as part of our services. The total estimated fee, as well as the ultimate fee that we charge clients, is based on the scope and complexity of our engagement with each client. How clients pay their respective fees is determined on a case-by-case basis. Clients will be invoiced directly for the fees.

Retirement plan participants will receive a separate disclosure document describing the fee paid to us by such retirement plan sponsor. Participants should refer to the retirement plan sponsors' disclosure document for information regarding its fees, billing practices, minimum required investments and termination of pension consulting agreements.

#### **Investment & Compliance Consulting**

The annual fixed fee ranges from \$15,000 to \$200,000, paid quarterly in arrears; and asset-based fees range from **0.01%** to **0.75%** of average annual plan assets paid quarterly in arrears.

In addition, an hourly rate of \$100 may be charged for any consulting services provided in a settlor capacity, which would be billed quarterly in arrears.

#### **Vendor Search & Selection/Benchmarking**

Fees range from **\$5,000 to \$50,000 per project**. The one-time fee is paid upon completion.

#### **Fiduciary Structure & Cost Assessment**

Fees range from **\$2,500 to \$5,000 per project** and are paid upon completion.

#### **Discretionary Fiduciary Services**

Fees range from **0.01%** to **0.50%** on plan assets per year and are paid quarterly in arrears.

#### **Participant Education/Communication**

Fees range from **\$500 to \$2,000 per meeting day** and are paid upon completion. Please note: These services may be outsourced to an independent third-party.

#### **Fiduciary Advisor Monitoring**

Fees range from **\$500 to \$2,500 per year** and are paid quarterly in arrears.

## **Managed Account Service**

The Managed Account Service fee is part of an overall service contract with the plan sponsor and is typically between **0.02%** and **0.10%** on plan assets per year, billed quarterly in arrears. It is not charged on an individual basis or affected by the number of people who enroll in the Service.

## **Termination of the Advisory Relationship**

You will have a period of five (5) business days from the date of signing the client agreement to terminate the agreement and receive a full refund of all fees. Thereafter, a client agreement may be canceled at any time, by either party, for any reason upon receipt of 30 days written notice. In the event of termination, all fees for services rendered shall be due and payable by you, including the notification period from the receipt of the written termination notice. If your account is billed in advance, any prepaid, unearned fees will be promptly refunded. In calculating a reimbursement of fees, we will pro rate the reimbursement according to the number of days remaining in the billing period plus the notification period from the receipt of the written termination notice.

You will have a period of five (5) business days from the date of signing a financial planning agreement to terminate the agreement and receive a full refund of all fees. Thereafter, a financial planning agreement may be canceled at any time, by either party, for any reason upon receipt of written notice. In the event of termination, all fees for bona-fide financial planning services rendered shall be due and payable by you.

## **Other Types of Fees and Expenses**

Our fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses that may be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, and other third parties such as custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. In addition to our fee, clients are responsible for the fees of any independent third-party money managers engaged to manage a portion of their assets. Mutual fund and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to our fee, and we shall not receive any portion of these commissions, fees, and costs.

*Item 12* further describes the factors that we consider in selecting or recommending broker-dealers for client's transactions and determining the reasonableness of their compensation (e.g., commissions).



We do not accept compensation for the sale of securities or other investment products including asset-based sales charges or service fees from the sale of mutual funds. We do not offer proprietary products or receive third party payments with respect to the investment advice provided.

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

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We do not offer performance-based fees.

## Item 7: Types of Clients

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We provide advisory services to individuals, high net-worth individuals, pension and profit-sharing plans (including pension and profit-sharing plans sponsored by corporations, state or municipal government entities), ERISA plans, charitable organizations, corporations and other businesses and a pooled investment vehicle.

Clients eligible to enroll in the Automated Investment Program (“Wealth Accumulator”) include individuals, IRAs, and revocable living trusts. Clients that are organizations (such as corporations and partnerships) or government entities, and clients that are subject to the Employee Retirement Income Security Act of 1974 (“ERISA”), are not eligible for the Program.

As previously disclosed in *Item 5*, for Wealth Accumulator, the minimum investment required to open an account is \$5,000. The minimum account balance to enroll in the tax-loss harvesting feature is \$50,000.

For all of our other services offered, we may have a minimum account size as a requirement for opening or maintaining an account, as specified in our contract with you. In addition, as specified in our contract with you, we may have a minimum account fee that could make smaller sized accounts less economical for clients based on the nature of the service(s) being provided.

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

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### Overview

We invest client assets primarily in open-end mutual funds, exchange-traded funds (“ETFs”), and in equity securities of individual companies of all market capitalizations. Our firm has an

investment committee and each division has an investment committee overseeing our investment management processes. Within BFS Wealth Management, there are various sub-investment committees depending on the overall investment management strategy being implemented.. The divisions have a similar methodology for ranking mutual funds, and the sub-investment committees share information, but at present have separate decision-making processes. BFS Wealth Management manages client assets to investment models. BFS Institutional consultants work with clients to develop a customized Investment Policy Statement (“IPS”) to provide structural guidance on the selection and de-selection of investment offerings and also provides recommendations as an ERISA 3(21) Fiduciary or ERISA 3(38) Fiduciary.

## Methods of Analysis

**Fundamental analysis** involves analyzing individual companies and their industry groups, such as a company’s financial statements, details regarding the company’s product line, the experience, and expertise of the company’s management, and the outlook for the company’s industry. The resulting data is used to measure the true value of the company’s stock (“intrinsic value”) compared to the current market value. The risk of fundamental analysis is 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.

**Quantitative analysis** uses mathematical models 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, and predict changes to that data. A risk in using quantitative analysis is that the models used may be based on assumptions that prove to be incorrect.

**Qualitative analysis** involves subjective evaluation of non-quantifiable factors such as quality of management, labor relations, and strength of research and development factors not readily subject to measurement, and predict changes to share price based on that data. A risk in using qualitative analysis is that our subjective judgement may prove incorrect.

**Technical analysis** involves using chart patterns, momentum, volume, and relative strength in an effort to pick sectors that may outperform market indices. However, there is no assurance of accurate forecasts or that trends will develop in the markets we follow. In the past, there have been periods without discernible trends and similar periods will presumably occur in the future. Even where major trends develop, outside factors like government intervention could potentially shorten them.

Furthermore, one limitation of technical analysis is that it requires price movement data, which can translate into price trends sufficient to dictate a market entry or exit decision. In a trendless or erratic market, a technical method may fail to identify trends requiring action. In addition,

technical methods may overreact to minor price movements, establishing positions contrary to overall price trends, which may result in losses. Finally, a technical trading method may underperform other trading methods when fundamental factors dominate price moves within a given market.

**Mutual Fund and Exchange-Traded Fund Analysis** involves analyzing funds from both a qualitative and quantitative perspective based on historical and present data. Quantitative criteria may include analysis of absolute and risk-adjusted performance, style metrics, tracking error, and expenses. Qualitative criteria may include consideration of asset base, average credit quality, individual holding concentration, portfolio turnover, median market capitalization, fund philosophy, and fund management. Risks of fund analysis include the risks in the underlying assets they hold, and that, as in all securities investments, past performance does not guarantee future results. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the fund.

**Asset Allocation** is the attempt to identify an appropriate ratio of equities, fixed income, and cash suitable to your investment goals and risk tolerance. A risk of asset allocation is that you may not participate in sharp increases in the value of a particular security, industry or market sector. Another risk is that the ratio of equities, fixed income, and cash will change over time due to stock and market movements and, if not corrected, will no longer be appropriate for your goals.

**Independent Third-Party Money Manager Analysis:** As discussed in *Item 4*, we recommend that certain clients invest a portion of their assets with independent third-party money managers. Our analysis of independent third-party money managers involves the examination of the experience, expertise, investment philosophies, and past performance of the independent third-party money managers 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 monitor the manager's underlying holdings, strategies, concentrations and leverage as part of our overall periodic risk assessment. A risk of investing with an independent third-party money manager who has been successful in the past is that he/she may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in an independent third-party money manager's portfolio, there is also a risk that a manager may deviate from the stated investment mandate or strategy of the portfolio, making it a less suitable investment for our clients. Moreover, as we do not control the manager's daily business and compliance operations, we may be unaware of the lack of internal controls necessary to prevent business, regulatory, or reputational deficiencies.

## Investment Strategies We Use

We select or recommend mutual funds after ranking them using manager data from Morningstar, weighting the data using the Firm's proprietary criteria and calculating the results in an Excel spreadsheet. In support of the selection of equity securities, we maintain a model spreadsheet showing the valuation/technical metrics supporting the investment recommendations of securities we have purchased or sold. We typically purchase equity securities with the idea of holding them in your account for a year or longer. However, as previously mentioned, certain strategies we use may use technical analysis and the holding period may be shorter.

### Wealth Accumulator

With respect to our Automated Investment Program, each client's investment objectives and risk tolerance is determined through an online questionnaire. Once determined, the client selects an appropriate investment strategy and portfolio, but we then make the final decision and select a portfolio based on all the information we have about the client. We typically use a long-term purchase strategy, securities held for at least a year, to meet our clients' objectives and risk tolerance.

### Managed Account Service

With respect to our Managed Account Service offered by BFS Institutional Services, each individual retirement plan participant has certain preferences, a time horizon, current investment balances, current savings rates, expected benefits (i.e. Social Security), and tax rates. Our recommended investment strategy is to provide the investment allocation that enables an individual to reach the retirement income goal with the least amount of risk. Once the risk level is determined, we select the allocation of investments that is expected to match the risk level based upon the investment's style, expected return, and expected risk.

## Material Risks Involved

**All investing strategies we offer involve risk and may result in a loss of the original investment which clients should be prepared to bear. We ask that you work with us to help us understand your tolerance for risk.** Many of these risks apply equally to stocks, bonds, commodities and any other investment or security. Material risks associated with our investment strategies are listed below.

**Market Risk:** Market risk involves the possibility that an investment's current market value will fall because of a general market decline, reducing the value of the investment regardless of the operational success of the issuer's operations or its financial condition.

**Strategy Risk:** The Adviser's investment strategies and/or investment techniques may not work as intended.

**Small and Medium Cap Company Risk:** Securities of companies with small and medium market capitalizations are often more volatile and less liquid than investments in larger companies. Small and medium cap companies may face a greater risk of business failure, which could increase the volatility of the client's portfolio.

**Turnover Risk:** At times, the strategy may have a portfolio turnover rate that is higher than other strategies. A high portfolio turnover would result in correspondingly greater brokerage commission expenses and may result in the distribution of additional capital gains for tax purposes. These factors may negatively affect the account's performance.

**Limited markets:** Certain securities may be less liquid (harder to sell or buy) and their prices may at times be more volatile than at other times. Under certain market conditions we may be unable to sell or liquidate investments at prices we consider reasonable or favorable, or find buyers at any price.

**Concentration Risk:** Certain investment strategies focus on particular asset-classes, industries, sectors or types of investment. From time to time these strategies may be subject to greater risks of adverse developments in such areas of focus than a strategy that is more broadly diversified across a wider variety of investments.

**Interest Rate Risk:** Bond (fixed income) prices generally fall when interest rates rise, and the value may fall below par value or the principal investment. The opposite is also generally true: bond prices generally rise when interest rates fall. In general, fixed income securities with longer maturities are more sensitive to these price changes. Most other investments are also sensitive to the level and direction of interest rates.

**Legal or Legislative Risk:** Legislative changes or Court rulings may impact the value of investments, or the securities' claim on the issuer's assets and finances.

**Inflation:** Inflation may erode the buying-power of an investment portfolio, even if the dollar value of the investments remains the same.

**Aggregated Portfolio Management:** When you have more than one account you own or in which you have a material beneficial financial interest, it is generally recommended that the accounts be managed in the context of an aggregated, integrated portfolio, and not as stand-alone individual portfolios. The purpose of this is to attempt to optimize aggregate portfolio results, improve tax efficiency, minimize portfolio turnover, and control expenses. The risk to this strategy includes returns that may vary materially in individual accounts because we will allocate assets to individual accounts as we see fit in your best interest. Aggregated portfolio management is not available for Wealth Accumulator.

**Client Investment Objectives and Strategies:** Clients' investments and investment returns typically will vary due to different client investment objectives and strategies. Conflicts may stem from clients' differing client investment objectives and strategies (e.g., certain client accounts may hold individual stocks while others may hold only mutual funds, or, certain client accounts may engage in short selling while others hold long positions only). We carefully manage your account based on your investment objective.

**Cybersecurity:** The computer systems, networks and devices used by BFSG and service providers to us and our clients to carry out routine business operations employ a variety of protections designed to prevent damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches. Despite the various protections utilized, systems, networks, or devices potentially can be breached. A client could be negatively impacted as a result of a cybersecurity breach.

Cybersecurity breaches can include unauthorized access to systems, networks, or devices; infection from computer viruses or other malicious software code; and attacks that shut down, disable, slow, or otherwise disrupt operations, business processes, or website access or functionality. Cybersecurity breaches may cause disruptions and impact business operations, potentially resulting in financial losses to a client; impediments to trading; the inability by us and other service providers to transact business; violations of applicable privacy and other laws; regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs; as well as the inadvertent release of confidential information.

Similar adverse consequences could result from cybersecurity breaches affecting issuers of securities in which a client invests; governmental and other regulatory authorities; exchange and other financial market operators, banks, brokers, dealers, and other financial institutions; and other parties. In addition, substantial costs may be incurred by these entities in order to prevent any cybersecurity breaches in the future.

## **Risks Associated with Securities**

Apart from the general risks outlined above which apply to all types of investments, specific securities may have other risks.

**Common stocks** may go up and down in price quite dramatically, and in the event of an issuer's bankruptcy or restructuring could lose all value. A slower-growth or recessionary economic environment could have an adverse effect on the price of all stocks.

**Corporate Bonds** are debt securities to borrow money. Generally, issuers pay investors periodic interest and repay the amount borrowed either periodically during the life of the security and/or at maturity. Alternatively, investors can purchase other debt securities, such as zero

coupon bonds, which do not pay current interest, but rather are priced at a discount from their face values and their values accrete over time to face value at maturity. The market prices of debt securities fluctuate depending on such factors as interest rates, credit quality, and maturity. In general, market prices of debt securities decline when interest rates rise and increase when interest rates fall. The longer the time to a bond's maturity, the greater its interest rate risk.

**Bank Obligations** including bonds and certificates of deposit may be vulnerable to setbacks or panics in the banking industry. Banks and other financial institutions are greatly affected by interest rates and may be adversely affected by downturns in the U.S. and foreign economies or changes in banking regulations.

**Municipal Bonds** are debt obligations generally issued to obtain funds for various public purposes, including the construction of public facilities. Municipal bonds pay a lower rate of return than most other types of bonds. However, because of a municipal bond's tax-favored status, investors should compare the relative after-tax return to the after-tax return of other bonds, depending on the investor's tax bracket. Investing in municipal bonds carries the same general risks as investing in bonds in general. Those risks include interest rate risk, reinvestment risk, inflation risk, market risk, call or redemption risk, credit risk, and liquidity and valuation risk.

**Private Investment Funds** generally involve various risk factors, including, but not limited to, potential for complete loss of principal, liquidity constraints and lack of transparency, a complete discussion of which is set forth in each fund's offering documents, which will be provided to you in connection with any private fund investment we recommend. Unlike other liquid investments that a client may maintain, private investment funds do not provide daily liquidity or pricing. You will be required to complete a subscription agreement, pursuant to establishment that you are an accredited investor, and acknowledge and accept the various risk factors that are associated with such an investment as indicated in the offering memoranda.

**Investment Companies Risk.** When a client invests in open end mutual funds or ETFs, the client indirectly bears its proportionate share of any fees and expenses payable directly by those funds. Therefore, the client will incur higher expenses, many of which may be duplicative. In addition, the client's overall portfolio may be affected by losses of an underlying fund and the level of risk arising from the investment practices of an underlying fund (such as the use of derivatives). ETFs are also subject to the following risks: (i) an ETF's shares may trade at a market price that is above or below its net asset value; (ii) the ETF may employ an investment strategy that utilizes high leverage ratios; or (iii) trading of an ETF's shares may be halted if the listing exchange's officials deem such action appropriate, the shares are de-listed from the exchange, or the activation of market-wide "circuit breakers" (which are tied to large decreases

in stock prices) halts stock trading generally. The Adviser has no control over the risks taken by the underlying funds in which client's invest.

## Item 9: Disciplinary Information

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### **Criminal or Civil Actions**

We have not been involved in any criminal or civil action.

### **Administrative Enforcement Proceedings**

We have not been involved in administrative enforcement proceedings.

### **Self-Regulatory Organization Enforcement Proceedings**

We have not been involved in legal or disciplinary events that are material to a client's or prospective client's evaluation of BFSG or the integrity of its management.

## Item 10: Other Financial Industry Activities and Affiliations

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### **Focus Financial Partners, LLC**

As noted above in response to *Item 4*, BFSG, LLC is part of the Focus Financial Partners, LLC ("Focus") partnership. BFSG's clients are not solicited to invest in any other Focus Partners' advisory services, and generally Focus Partners do not recommend securities, services, or other investment products of other Focus partner firms, unless so disclosed on their respective Form ADVs and with the client's informed consent, nor are any transactions executed through another Focus Partner's affiliated broker-dealer. Further, the Focus Partners do not market their services or share client information amongst each other without prior client consent.

BFSG does not believe the Focus Partnership presents a conflict of interest with our clients. BFSG has no business relationship with other Focus Partners that is material to its advisory business or to its clients.

Certain investment vehicles managed by Stone Point collectively are principal owners of Focus LLC and Focus Inc., and certain investment vehicles managed by KKR collectively are minority owners of Focus LLC and Focus Inc. Because BFSG is an indirect, wholly-owned subsidiary of Focus LLC and Focus Inc., the Stone Point and KKR investment vehicles are indirect owners of



BFSG. None of Stone Point, KKR, or any of their affiliates participates in the management or investment recommendations of our business.

Additional information about Focus can be found at [www.focusfinancialpartners.com](http://www.focusfinancialpartners.com).

### **BFSG, LLC Management Company**

Pursuant to management agreement (the “Management Agreement”) between BFSG, LLC, Focus and Retirement Plan Consulting Group, LLC (the “Management Company”), the Management Company has agreed to provide persons to serve as officers of BFSG, LLC who, in such capacity, will be responsible for the management, supervision and oversight of BFSG, LLC. John Campbell, Patrick Powers, Tina Schackman, Christopher Rowey, Darren Stewart, and Grace Lau are the managing members of the Management Company. The Management Company does not provide investment advisory services. Management of other Focus Partners is not involved in the management of BFSG.

### **Pooled Investment Vehicle**

Patrick D. Powers, a Managing Principal, is a limited partner in a limited partnership ("LP") formed for investment purposes. The LP was formed for the benefit of the family of Patrick D. Powers. Clients are not solicited to invest in the LP. The LP may own an interest in or buy or sell for its account(s), the same securities which may be purchased or sold in the accounts of clients. The LP account(s) may be included within an aggregated order. For purposes of our Code of Ethics, described below in *Item 11*, we consider the LP an “employee account”. We have established written policies and procedures for employee trading that state clients should be receiving terms as favorable as or better than employees.

### **Recommendations or Selections of Third-Party Service Providers**

Under BFS Wealth Management’s Pension Consulting program, we engage “turnkey” providers of retirement plan services, to be one of several service providers, to client retirement plans. In such circumstances, retirement plan clients remit a single fee to the turnkey service provider, who in turn remits our advisory fee to us. Our fees to participating retirement plans are not increased in any way as a result of this fee arrangement.

Compensation we receive may differ depending on the compensation arrangement with each “turnkey” retirement plan service provider. These compensation arrangements present a conflict of interest because we have a financial incentive to recommend the services of one “turnkey” retirement plan service provider over another and our compensation can vary depending on which “turnkey” retirement plan service provider is used. However, when recommending “turnkey” retirement plan service providers to a client, the client’s best interest

will be the main determining factor for us. This relationship is disclosed to the client at the commencement of the Pension Consulting relationship. You are not obligated, contractually or otherwise, to use the services of any third-party service provider we recommend.

### **National Advisors Trust Company (“NATCO”)**

Grace Y. Lau, a Managing Principal, has a minority ownership interest in a savings and loan holding company, National Advisors Holding, Inc., a Delaware Corporation that formed a federally chartered trust company, National Advisors Trust Company (“NATCO”). NATCO is regulated by the Office of Thrift Supervision. The trust company provides a low cost alternative to traditional trust service providers, and BFS Wealth Management refers clients to NATCO for trust, custody, and brokerage services. Moreover, NATCO uses the services of Fidelity Investments Institutional Brokerage and SunGuard Institutional Brokerage, Inc.’s equity and fixed income platforms to execute client’s securities transactions. Grace Y. Lau maintains less than 5% ownership interest in National Advisors Holdings, Inc.

### **Jung Novikoff & Stevens LLP (“JNS”)**

Steven Yamshon owns a minority interest in Jung Novikoff & Stevens LLP (“JNS”), a CPA firm in Santa Monica, California. Steven Yamshon purchased this interest for investment purposes. It should be noted that the accounting firm is operated independently of BFSG and no services of either firm are combined. Other than Steven Yamshon’s services, no other supervised person at BFSG works for JNS or completes any accounting services on its behalf.

JNS does recommend clients to BFSG from time to time. Each accountant has independent discretion in which Investment Advisory firm to recommend. BFSG believes that independent advice is the proper path to follow. As in the past, BFSG will refer clients to JNS but will also continue to refer clients to CPA firms outside of JNS that it feels is better suited to the client’s goals and objectives.

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

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We recognize that the personal investment transactions of members and employees of our firm demand the application of a high Code of Ethics and require that all such transactions be carried out in a way that does not endanger the interest of any client. At the same time, we believe that if investment goals are similar for clients and for members and employees of our firm, it is logical and even desirable that there be common ownership of some securities.

Therefore, in order to prevent conflicts of interest, we have in place a set of procedures with respect to transactions effected by our members, officers and employees for their personal accounts. In order to monitor compliance with our personal trading policy, we have a quarterly securities transaction reporting system for all of our personnel.

### **Code of Ethics Description**

Our firm has established a Code of Ethics which applies to all of our supervised persons. As a fiduciary, it is our responsibility to provide fair and full disclosure of all material facts and to act solely in the best interest of each of our clients at all times. We have a fiduciary duty to all clients. Our fiduciary duty is considered the core underlying principle for our Code of Ethics, which also includes Insider Trading and Personal Securities Transactions Policies and Procedures. We require all of our supervised persons to conduct business with the highest level of ethical standards and to comply with all federal and state securities laws at all times. Upon employment or affiliation and at least annually thereafter, all supervised persons will sign an acknowledgement that they have read, understand, and agree to comply with our Code of Ethics. Our firm and supervised persons must conduct business in an honest, ethical, and fair manner and avoid all circumstances that might negatively affect or appear to affect our duty of complete loyalty to all clients. This disclosure is provided to give all clients a summary of our Code of Ethics. However, if a client or a potential client wishes to review our Code of Ethics in its entirety, a copy will be provided promptly upon request. Requests for a copy of our Code of Ethics may be sent to the Chief Compliance Officer at 2040 Main Street, Suite 720, Irvine, CA 92614.

### **Investment Recommendations Involving a Material Financial Interest and Conflicts of Interest**

Neither our firm, its associates or any related person is authorized to recommend to a client, or effect a transaction for a client, involving any security in which our firm or a related person has a material financial interest, such as in the capacity as an underwriter, adviser to the issuer, etc.

### **Advisory Firm Purchase of Same Securities Recommended to Clients and Conflicts of Interest**

Our firm and its supervised persons may buy or sell securities similar to, or different from, those we recommend to clients for their accounts. In an effort to reduce or eliminate certain conflicts of interest involving the firm or personal trading, our policy requires supervised persons to report their personal securities holdings and transactions to the Firm for compliance monitoring, and requires supervised persons to obtain preclearance for certain securities transactions

# Item 12: Brokerage Practices

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## **Institutional Consulting Services**

We do not recommend and/or use broker dealers in connection with the consulting services we provide to institutional clients. This brokerage practices section applies primarily to clients who are individuals.

## **Factors Used to Select Custodians and/or Broker-Dealers**

We recommend that our clients use Charles Schwab & Co., Inc. ("Schwab") and/or Fidelity Institutional Brokerage Group, Inc. ("Fidelity"), registered broker-dealers and members SIPC, as the qualified custodians and broker-dealers for client accounts. We are independently owned and operated and are not affiliated with Schwab or Fidelity. In addition, we may recommend the use of National Advisors Trust Company ("NATCO") for certain trust, custody, and brokerage services. As previously disclosed (see *Item 10 – Other Financial Industry Activities and Affiliations*), Grace Y. Lau has a minority ownership interest in National Advisors Holdings, Inc. a Delaware corporation that owns NATCO.

Client accounts enrolled in the Automated Investment Program ("Wealth Accumulator") are maintained at, and receive the brokerage services of, CS&Co., a broker-dealer registered with the Securities and Exchange Commission and a member of FINRA and SIPC. BFSG, LLC is independently owned and operated and is not affiliated with CS&Co.

The qualified custodians will hold your assets in a brokerage account and buy and sell securities when we instruct them to. While we recommend that you use Schwab, Fidelity, and/or NATCO as your custodian/broker(s) and while you are required to use CS&Co. as custodian/broker to enroll in the Automated Investment Program, you will decide whether to do so and will open your account with the qualified custodian(s) by entering into an account agreement directly with them. We do not open the account for you, although we may assist you in doing so. If you do not wish to place your assets with CS&Co. for the Automated Investment Program, then we cannot manage your accounts through Wealth Accumulator. CS&Co. may aggregate purchase and sale orders for ETFs across accounts enrolled in the Automated Investment Program, including both accounts for our clients and accounts for clients of other independent investment advisory firms using the Platform.

You will be responsible for negotiating the terms and arrangements for your account(s) with a client specified brokerage account. If you direct brokerage it may be more costly as we may be unable to achieve most favorable execution of your transactions. For example, in a directed

brokerage account, you may pay higher brokerage commissions because we may not be able to aggregate orders to reduce transactions costs, or you may receive less favorable prices.

Even though your account is maintained at Schwab, Fidelity, and/or NATCO, we can still use other brokers to execute trades for your account as described below (see "Your Brokerage and Custody Costs").

### **Other Compensation**

We receive an economic benefit from the brokerage firms (i.e., Schwab, Fidelity, among others) in the form of the support products and services they make available to us and other independent investment advisors whose clients maintain their accounts with them. The availability to us of the brokerage firms' products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

Our firm and/or our officers and representatives are eligible to receive gifts and entertainment. While we endeavor at all times to put the interest of our clients first as part of our fiduciary duty, the possibility of receiving gifts and entertainment creates a conflict of interest, and may affect the judgment of these individuals when making recommendations.

Our firm's Code of Ethics addresses gifts and entertainment and the overriding principle is that supervised persons should not accept inappropriate gifts, favors, entertainment, special accommodations, or other things of material value that could influence their decision-making or make them feel obligated to a person or firm. We require all supervised persons to report gifts and entertainment to the Chief Compliance Officer or President.

### **How We Select Brokers/Custodians**

We seek to recommend a custodian/broker who will hold your assets and execute transactions on terms that are, overall, most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others:

1. Combination of transaction execution services and asset custody services (generally without a separate fee for custody);
2. Capability to execute, clear, and settle trades (buy and sell securities for your account);
3. Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payments, etc.);
4. Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds, etc.);
5. Availability of investment research and tools that assist us in making investment decisions;
6. Ability to provide necessary performance reporting;

7. Quality of services;
8. Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate the prices;
9. Reputation, financial strength, and stability;
10. Prior service to us and our other clients; and
11. Availability of other products and services that benefit us, as discussed below (see “Products and Services Available to Us”)

### **Your Brokerage and Custody Costs**

For our clients' accounts that Schwab, Fidelity, and/or NATCO maintains, they generally do not charge you separately for custody services but are compensated by charging you commissions or other fees on trades that are executed or that settle into your account.

Schwab's commission rates and asset-based fees applicable to our client accounts were negotiated based on the condition that our clients collectively maintain a total of at least \$10 million of their assets in accounts at Schwab. This commitment benefits you because the overall commission rates and asset-based fees you pay are lower than they would be otherwise.

### **Products and Services Available to Us**

Schwab Advisor Services™ (formerly called Schwab Institutional) and Fidelity Institutional Wealth Services are the brokerage firms business divisions that serves independent investment advisory firms like us. They provide us and our clients with access to its institutional brokerage services: trading, custody, reporting, trust services, charitable services, and related services. Many of these are not typically available to retail customers. Schwab and Fidelity also make available various support services. Some of those services help us manage or administer our clients' accounts, while others help us manage or grow our business.

Schwab's support services generally are available on an unsolicited basis (we don't have to request them) and at no charge to us as long as our clients collectively maintain a total of at least \$10 million of their assets in accounts at Schwab. If our clients collectively have less than \$10 million in assets at Schwab, Schwab may charge us quarterly service fees of \$1,200.

We do not pay Schwab Performance Technologies (“SPT”) fees for the Automated Investment Program so long as we maintain \$100 million in client assets in accounts at Schwab that are not enrolled in Wealth Accumulator. If we do not meet this condition, then we pay SPT an annual licensing fee of 0.10% (10 basis points) on the value of our clients’ assets in Wealth Accumulator.

Fidelity's support services generally are available on an unsolicited basis (we don't have to request them) and at no charge to us as long as our clients collectively maintain a total of at least \$15 million of their assets in accounts at Fidelity. If our clients collectively have less than \$15 million in assets at Fidelity, Fidelity may charge us quarterly service fees of \$2,500.

The availability to us of Schwab's and Fidelity's products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

Following is more a detailed description of the brokerage firms support services:

*Services That Benefit You.* Schwab's and Fidelity's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab and Fidelity include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Schwab's and Fidelity's services described in this paragraph generally benefit you and your account.

*Services That May Not Directly Benefit You.* Schwab and Fidelity also make available to us other products and services that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our clients' accounts. They include investment research, both Schwab's and Fidelity's own and that of third parties. We may use this research to service all or a substantial number of our clients' accounts, including accounts not maintained at Schwab or Fidelity. We do not seek to allocate the benefits to client's accounts proportionately. In addition to investment research, Schwab and Fidelity also make available software and other technology that:

1. Provide access to client account data (such as duplicate trade confirmations and account statements);
2. Facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
3. Provide pricing and other market data;
4. Facilitate payment of our fees from our clients' accounts; and
5. Assist with back-office functions, recordkeeping, and client reporting

*Services That Generally Benefit Only Us.* Schwab and Fidelity also offer other services intended to help us manage and further develop our business enterprise. These services include:

1. Educational conferences and events;
2. Consulting on technology, compliance, legal, and business needs;
3. Publications and conferences on practice management and business succession; and

4. Access to employee benefits providers, human capital consultants, and insurance providers.

Schwab and Fidelity may provide some of these services themselves. In other cases, they will arrange for third-party vendors to provide the services to us. Schwab and Fidelity may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab and Fidelity may also provide us with other benefits, such as occasional business entertainment for our personnel or in the sponsorship of client events from time to time.

We may also use services from directed brokers/custodians that may or may not directly benefit you and/or benefit us only. The services described above from Schwab and Fidelity would be similar to those received from directed brokers/custodians.

*Our Interest in Schwab's and Fidelity's Services.* In evaluating whether to recommend that clients custody their assets at Schwab and/or Fidelity, we may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors we consider and not solely on the nature, cost or quality of custody and brokerage services provided by them, which may create a potential conflict of interest as you may pay less for these services elsewhere.

The availability of these services from them benefits us because we do not have to produce or purchase them. We don't have to pay for Schwab's services so long as our clients collectively keep a total of at least \$10 million of their assets in accounts at Schwab and we don't have to pay for Fidelity's services so long as our clients collectively keep a total of at least \$15 million of their assets in accounts at Fidelity. With respect to the Automated Investment Program, we do not pay SPT fees for the Platform so long as we maintain \$100 million in client assets in accounts at Schwab that are not enrolled in Wealth Accumulator. Beyond that, these services are not contingent upon us committing any specific amount of business to Schwab or Fidelity in trading commissions or assets in custody. The minimums may give us an incentive to recommend that you maintain your account with Schwab and/or Fidelity, based on our interest in receiving their services that benefit our business rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a potential conflict of interest.

Our selection is primarily supported by the scope, quality, and price of Schwab's and Fidelity's services (see "How We Select Brokers/Custodians") and not Schwab's and Fidelity's services that benefit only us. Schwab's and Fidelity's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.



## **Trade Errors**

From time-to-time we may make an error in submitting a trade order on your behalf. When this occurs, we may place a correcting trade with the broker-dealer that has custody of your account. If an investment gain results from the correcting trade, the gain will remain in your account unless the same error involved other client account(s) that should have received the gain, then it is not permissible for you to retain the gain, or we confer with you and you decide to forego the gain (e.g., due to tax reasons). We may not benefit from trade errors that result in the purchase of securities that increase in value.

If the gain does not remain in your account your custodian will donate the amount of any gain \$100 and over to charity. If Schwab is your custodian, Schwab will maintain the loss or gain (if such gain is not retained in your account) if it is under \$100 to minimize and offset its administrative time and expense. If Fidelity or NATCO is your custodian, they will maintain the gain (if such gain is not retained in your account) if it is under \$100 to minimize and offset its administrative time and expense. If a loss occurs at Fidelity or NATCO, we will pay for the loss. If a loss occurs at Schwab greater than \$100, we will pay for the loss. Generally, if related trade errors result in both gains and losses in your account, they may be netted.

## **Aggregated Trades**

We will block trades (aggregate trades) where possible and when advantageous to clients. The various offices of BFS Wealth Management operate trading desks that are separate from each other and these trading desks do not aggregate or allocate and do not attempt to coordinate or rotate the trades among the groups of clients each office serves.

The blocking of trades permits the trading of aggregate blocks of securities composed of assets from multiple client accounts, so long as transaction costs are shared equally and on a pro-rata basis between all accounts included in any such block trade.

Block trading may allow us to execute equity trades in a timelier, more equitable manner, at an average share price. We will typically aggregate trades among clients whose accounts can be traded at a given broker, and generally will rotate or vary the order of brokers through which it places trades for clients on any particular day. When we cannot block trade or it is not advantageous to our clients, you may therefore pay higher brokerage costs.

CS&Co. may aggregate purchase and sale orders for ETFs across accounts enrolled in the Wealth Accumulator service, including both accounts for our clients and accounts for clients of other independent investment advisory firms using the Platform.

## **Trade Away Transactions**

Pursuant to the terms of your Schwab or Fidelity brokerage agreement, we may execute securities transactions with counterparties outside of Schwab or Fidelity (this activity is broadly referred to as “Trade Away Transactions”). Your funds are held at Schwab or Fidelity and the counterparty settles trades with the custodian via prime brokerage and/or delivery vs. payment (DVP) accounts. The counterparties are compensated for trade execution only.

# **Item 13: Review of Accounts**

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## **Investment Portfolio Management**

*Reviews:* While the underlying securities within Investment Portfolio Management Services accounts are continually monitored, these accounts are reviewed no less than annually. Accounts are reviewed in the context of your stated investment objectives and guidelines. More frequent reviews may be triggered by material changes in your individual circumstances, frequent deposits or withdrawals from the account(s), or the market, political or economic environments. We may deviate from stated investment objectives and guidelines as market conditions warrant for short-periods of time in an effort to improve portfolio performance.

These accounts are reviewed by: Mr. Powers, Managing Principal, Ms. Lau, Managing Principal, Mr. Yamshon, Managing Principal, Mr. Allbee, Senior Portfolio Manager, Mr. Blom, Senior Wealth Advisor, and Mr. Kasscieh, Portfolio Manager. There is currently no limit on the number of accounts that can be reviewed by a portfolio manager.

*Reports:* In addition to the monthly statements and confirmations of transactions that you receive from your broker-dealer, we provide either quarterly or annual written reports summarizing account performance, balances and holdings. We urge you to compare these reports against the account statements they receive from their custodian.

*Independent Third-Party Money Manager Reports:* In addition to the monthly statements and confirmations of transactions that you receive from the respective broker-dealer, an independent third-party money manager who manages a portion of your assets may provide you with written quarterly performance reports. Unless otherwise contracted for, we do not typically provide additional reports.

## **Automated Investment Program**

*Reviews:* These accounts are automatically monitored daily for rebalancing. Portfolios are rebalanced when the weighting of any asset class included in the portfolio moves higher or lower than its strategic weighting based on a drift tolerance. Tax-loss harvesting trades are initiated when the amount of the loss captured equals at least 0.5% of the total portfolio value. More frequent rebalancing may be triggered by material changes in your individual circumstances, frequent deposits or withdrawals from the account(s), or the market, political or economic environments, and portfolio model modifications.

These accounts are reviewed by: Mr. Allbee, Senior Portfolio Manager, Mr. Blom, Senior Wealth Advisor, Mr. Noorani, Operations Manager, and Mr. Kassiech, Portfolio Manager. There is currently no limit on the number of accounts that can be reviewed by a portfolio manager.

*Reports:* You will receive monthly statements and confirmations of transactions that you receive from CS&Co. In addition, you will be able to monitor your account online through Schwab Performance Technologies on a real-time basis.

## **Financial Planning**

*Reviews:* While reviews may occur at different stages depending on the nature and terms of the specific engagement, typically no formal reviews will be conducted for you unless otherwise agreed upon by you and us.

*Reports:* You will receive a completed financial plan, according to the scope agreed upon. Additional reports will not typically be provided unless otherwise agreed upon by you and us.

## **Pension Consulting**

*Reviews:* BFS Institutional Services Investment Advisor Representatives review client accounts on at least a semi-annual basis. The nature of these reviews is to learn whether client accounts are in line with their investment objectives, and appropriately positioned based on market conditions and investment policies, if applicable. We may review client accounts more frequently. Among the factors which may trigger an off-cycle review are major market or economic events, the client's circumstances, or requests by the client, etc.

*Reports:* On at least a semi-annual basis, clients receive a report consisting of a review of the investment options offered in their plan. The review is generally based on an evaluation methodology, which includes an analysis of performance, risk-adjusted performance, style consistency, and cost. Plan demographics and asset allocation may also be included in the report, if applicable.

## Managed Account Service

With respect to the Managed Account Service offered by BFS Institutional Services, we review accounts quarterly. The investment allocation of the account is compared to the targeted allocation. If the current investment allocation is outside a threshold, then the account is automatically rebalanced to the targeted allocation. Individuals may review their information and make changes as often as necessary by contacting the retirement plan provider.

## Item 14: Client Referrals and Other Compensation

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### Client Referrals

Our firm has arrangements in place with certain third parties (“Solicitors”) whereby we are still making solicitation payments for past client referrals. Currently, solicitors are not actively seeking clients on our behalf. SEC-registered investment advisers who engage solicitors are required to comply with the requirements of Rule 206(4)-7 of the Advisers Act, which addresses the terms of the agreement that must be in place between the investment adviser and the solicitor and disclosures that must be made to the solicited client regarding the solicitation arrangement.

### Other Compensation

We receive an economic benefit from Schwab and Fidelity in the form of the support products and services it makes available to us and other independent investment advisors whose clients maintain their accounts with them. These products and services, how they benefit us, and the related conflicts of interest are described above (see *Item 12 – Brokerage Practices*). The availability to us of Schwab’s and Fidelity’s products and services are not based on us giving particular investment advice, such as buying particular securities for our clients.

The BFS Wealth Management division, in the past entered into an agreement with Charles Schwab & Co., Inc., an independent and unaffiliated broker-dealer, to participate in the Schwab Advisor Network (“the Service”), an adviser referral service designed to help investors find an independent personal investment manager in their area. BFS Wealth Management has received client referrals from Schwab through its participation in the Schwab Advisor Network in the past but no longer participates in the Service. BFS Wealth Management pays Schwab a quarterly participation fee on all referred clients’ accounts that are maintained in custody at Schwab and a one-time non-Schwab custody fee on all accounts that are transferred to another custodian. The fees paid by BFS Wealth Management are a percentage of the value of the

assets in the clients' accounts. The fees are paid by BFS Wealth Management and not by the referred client. Any referral fees incurred are paid solely from BFS Wealth Management's investment management fee, and do not result in any additional charge to the client. The non-Schwab custody fee is higher than the participation fees that BFS Wealth Management would generally pay in a single year. This non-Schwab custody fee creates a potential conflict of interest as BFS Wealth Management has an incentive to recommend that client accounts be held in custody at Schwab. Our firm acknowledges its duty of best execution for all of its clients.

## Item 15: Custody

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We do not maintain physical custody of client funds or securities; your assets must be maintained in an account at a "qualified custodian", generally a broker-dealer or bank. The custody discussion below is applicable primarily to our clients who are individuals or are serviced by BFS Wealth Management.

The SEC deems us to have legal custody over your assets if we have the authority to access or withdraw them. Most of our firm's clients who are individuals authorize us to instruct the qualified custodian(s) to deduct our advisory fees directly from your account and/or give qualified custodians standing authority for us to move money to a third-party without requiring your signature each time.

Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. They will be sent to the email or postal mailing address the client provides to the qualified custodian. We urge you to carefully review such statements and compare such official custodial records to the reports that we may provide to you. Our statements or reports may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

## Item 16: Investment Discretion

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You may hire us to provide discretionary asset management services, in which case we place trades in your account(s) without contacting you prior to each trade to obtain your permission.

Our discretionary authority includes the ability to do the following without contacting you:

- Determine the security to buy or sell; and/or
- Determine the amount of the security to buy or sell

You give us discretionary authority when you sign a discretionary agreement with our firm, and may limit this authority by giving us written instructions. You may also change/amend such limitations by once again providing us with written instructions. Discretionary accounts and/or trades may be traded first, resulting in a difference in price and execution costs.

If you wish to hold a security against our advice in a discretionary account, we will view these separately, and we will not include their performance in reported performance reports. We may charge management fees on these assets.

When you enter into a non-discretionary arrangement with us, we will obtain your approval prior to the execution of a trade.

### ***Automated Investment Program***

We accept discretionary authority to manage the accounts of individuals enrolled in the Wealth Accumulator service. We will monitor the investment allocation of the individual's account. Based on the information provided to us, we create a personalized asset allocation strategy and select investments that will meet the strategy from investments offered in the automated investment program. As the account moves out of balance, Wealth Accumulator will automatically reallocate back to the targeted allocation. We exercise discretion consistent with the individual's strategy and within any limitations provided by the client in writing. Investment discretion will be explained to Wealth Accumulator clients in the advisory agreement.

## **Item 17: Voting Client Securities**

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BFS Wealth Management votes proxies for some, but not all of our clients, as specified in our contract with you. BFS Institutional Services does not accept proxy voting for institutional clients. We will only otherwise accept proxy voting authority when you have given us investment discretion over the client's account. You always have the right to vote proxies yourself. You can exercise this right by instructing us in writing to not vote proxies in your account. With respect to ERISA accounts, we will vote proxies unless the plan documents specifically reserve the plan sponsor's right to vote proxies.

When we accept proxy voting authority, we will vote proxies in the best interests of our clients and in accordance with our established policies and procedures. We vote proxies in a manner designed to promote shareholders' best interests. Our firm will retain all proxy voting books and records for the requisite period of time, including a copy of each proxy statement received, a record of each vote cast, a copy of any document created by us that was material to making a decision how to vote proxies, and a copy of each written client request for information on how our firm voted proxies. If our firm has a conflict of interest in voting a particular action, we will

notify you of the conflict and may seek to retain an independent third-party to cast a vote or will abstain from voting the proxy.

You may obtain a copy of our complete proxy voting policies and procedures by contacting our Chief Compliance Officer, Mr. Allbee, by telephone, email, or in writing. You may request, in writing, information on how proxies for your shares were voted. If you request a copy of our complete proxy policies and procedures or how we voted proxies for your account(s), we will promptly provide such information to you. We will neither advise nor act on behalf of you in legal proceedings involving companies whose securities are held in your account(s), including, but not limited to, the filing of "Proofs of Claim" in class action settlements. If desired, you may direct us to transmit copies of class action notices to you or a third party. Upon such direction, we will make commercially reasonable efforts to forward such notices promptly. With respect to ERISA accounts, we will vote proxies unless the plan documents specifically reserve the plan sponsor's right to vote proxies. To direct us to vote a proxy in a particular manner, you should contact our Chief Compliance Officer, Mr. Allbee, by telephone, email, or in writing.

For accounts and securities where we do not vote proxies, our firm may provide investment advisory services relative to your investment assets. You maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by you shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to your investment assets. You are responsible for instructing each custodian of the assets to forward to you copies of all proxies and shareholder communications relating to your investment assets.

## Item 18: Financial Information

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We have no financial commitment that impairs our ability to meet contractual and fiduciary commitments to clients, and we have not been the subject of a bankruptcy proceeding. We do not require or solicit prepayment of more than \$1,200 in fees per client six months in advance.