

# Disclosure Brochure

March 2019

## Total Financial Advisors, LLC

An SEC Registered Investment Adviser

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Bethpage, NY 11714

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This brochure provides information about the qualifications and business practices of Total Financial Advisors, LLC. If you have any questions about the contents of this brochure, please contact Total Financial's Chief Compliance Officer at (516) 579-2700. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Additional information about Total Financial Advisors, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Total Financial Advisors, LLC. is a SEC Registered Investment Advisory Firm with its principal place of business in the State of New York. Registration does not imply any level of skill or training.

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## **Item 2. Material Changes**

There have been no material changes to this Disclosure Brochure since Total Financial's last annual amendment filing on February 5, 2018.

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## Item 4. Advisory Business

Total Financial Advisors, LLC (hereinafter referred to as "*Total Financial*" or "*Adviser*") is located at 24 Union Avenue, Bethpage, NY 11714, and also conducts business under the name Total Financial. Total Financial is an investment adviser providing financial planning, consulting, and investment management services. Prior to engaging Total Financial to provide any of the foregoing advisory services, the client is required to enter into one or more written agreements with Total Financial, setting forth the terms and conditions under which Total Financial renders its services (collectively the "*Agreement*"). Total Financial registered with the SEC as an Investment Adviser in May 2007. Joseph Piangozza and Susan Piangozza are the principal owners of Total Financial. James Piangozza is a minority owner of Total Financial.

As of December 31, 2018, Total Financial had \$203,479,740 of assets under management on a discretionary basis.

This Disclosure Brochure describes the business of Total Financial. Certain sections will also describe the activities of supervised persons ("*Supervised Persons*"). Supervised Persons are any of Total Financial's officers, partners, directors (or other persons occupying a similar status or performing similar functions), employees, or any other person who provides investment advice on Total Financial's behalf and is subject to Total Financial's supervision or control.

Total Financial tailors its advisory services to the individual needs of each client. Clients may impose reasonable restrictions on investing in certain securities or types of securities. Clients are advised that it remains their responsibility to promptly notify Total Financial if there is ever any change in their personal or financial situation or investment objectives for the purpose of reviewing, evaluating, or revising Total Financial's previous recommendations and/or services.

*Please Note:* Total Financial does not serve as an attorney or accountant, and no portion of our services should be construed as legal or accounting services. Accordingly, Total Financial does not prepare estate planning/legal/IRS documents or tax returns. To the extent requested by a client, we may recommend the services of other professionals for certain non-investment implementation purpose (i.e. attorneys, accountants, insurance agents, etc.), including certain of Total Financial's Supervised Persons, in their separate individual capacities as licensed insurance agents of Total Financial's affiliated insurance agency, Total Financial Systems, Inc. (see Item 10 below). The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from Total Financial and/or its representatives.

*Please Note:* Total Financial's Chief Compliance Officer, Joseph Piangozza, remains available to address any questions that a client or prospective client may have regarding this brochure or services provided by Total Financial and its Supervised Persons.

As a registered investment advisor subject to Section 206 of the Advisers Act, Total Financial acts as a Fiduciary related to the conduct of its investment advisory services. As such, Total Financial has an obligation to act in the best interest of its clients, guided by the core fiduciary duties of loyalty and care.

Total Financial will adhere and comply with the following Impartial Conduct Standards;

- (1) Total Financial will provide investment advice that is, at the time of the recommendation, in the

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best interest of the client. Such advice shall reflect the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims, based on the investment objectives, risk tolerance, financial circumstances, and needs of the client, without regard to the financial or other interests of Total Financial or any affiliate, related entity, or other party;

(2) The recommended transaction(s) will not cause Total Financial or their affiliates or related entities to receive, directly or indirectly, compensation for their services that is in excess of reasonable compensation within the meaning of ERISA section 408(b)(2) and Code section 4975(d)(2).

(3) Statements by Total Financial to the client about the recommended transaction, fees and compensation, Material Conflicts of Interest, and any other matters relevant to a client's investment decisions, will not be materially misleading at the time they are made.

(4) Joseph Piangozza, Total Financial's Chief Compliance Officer is designated as the person available to discuss matters such as conflicts of interest, potential conflicts of interest, and Total Financial's fiduciary status.

## **Financial Planning and Consulting Services**

Total Financial may provide its clients with a broad range of financial planning and consulting services (which may include non-investment related matters). These services are tailored to the needs of the client, and include (but are not limited to) investment planning, retirement planning, financial planning, IRA distribution planning, estate planning, and advising on assets not managed directly by Total Financial.

In performing its services, Total Financial is not required to verify any information received from the client or from the client's other professionals (e.g., the client's attorney, accountant, etc.) and Total Financial is expressly authorized to rely on such information. Total Financial may recommend the services of other professionals for implementation purposes including certain of Total Financial's employees or representatives, in their separate individual licensed capacities as licensed insurance agents (See disclosure below).

Clients are advised that a conflict of interest exists if Total Financial or a Supervised Person recommends the services of a related person or entity. The client is under no obligation to act upon any of the recommendations made by Total Financial or any Supervised Person under a financial planning or consulting engagement, or to engage the services of any such recommended professional, including Total Financial itself, any of its Supervised Persons, or any affiliated firm. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any of Total Financial's recommendations.

## **Investment Management Services**

Total Financial typically manages clients' assets on a discretionary basis, but may also provide non-

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discretionary management in special circumstances including, but not limited to, qualified employer sponsored group workplace retirement plans ("*Employer Retirement Plans*").

When acting as an Adviser on a discretionary basis, Total Financial provides Clients with continuous and regular management services.

Total Financial allocates clients' investment management assets among independent investment managers ("Independent Managers"), mutual funds, and exchange-traded funds ("*ETFs*"), and/or annuity sub-accounts in accordance with the investment objectives of the client.

For assets not managed by Independent Managers, Total Financial provides various levels of service for non-workplace retirement plans. Private Client Services ("*PCS*"), Efficient Allocation Portfolios ("*EAP*") and annuity advisory services are advised on a discretionary basis. Total Financial's PCS services are utilized for accounts with numerous and diversified investments; while an EAP is typically reserved for more concentrated portfolios that hold substantially fewer positions and assets.

Total Financial also renders non-discretionary investment management services to clients relative to: (1) their individual Employer Retirement Plans through a consulting arrangement; (2) group retirement plans; and/or (3) other financial and/or investment matters, services and/or programs as mutually agreed upon. In so doing, Total Financial recommends the allocation of client assets among the various investment options that are available. Client assets may be maintained at a specific Financial Institution or custodian designated by the product sponsor, the client's Employer Retirement Plan, or by the client.

Total Financial consults with clients initially and requests ongoing information to develop and maintain an Investment Policy Statement that identifies the client's risk tolerance, investment objectives, and strategic approach to investing; however, for discretionary accounts, Total Financial may reasonably deviate from the initial or current investment strategy and/or asset allocation, based upon economic or market conditions and/or other considerations.

## **Use of Independent Managers**

As mentioned above, Total Financial may recommend that clients authorize the active discretionary management of all, or a portion, of their assets by Total Financial and/or among certain Independent Managers, based upon the stated investment objectives, asset allocation and parameters established by the client. The terms and conditions under which the client engages the Independent Managers are set forth in a separate written agreement between Total Financial and/or the client and the designated Independent Managers and investment programs. Total Financial renders services to the client relative to the discretionary selection of Independent Managers. Total Financial also monitors and reviews the account performance in the context of the client's stated investment objectives and risk tolerance. Total Financial receives an annual advisory fee, which is based upon a percentage of the market value of the assets being managed by the designated Independent Managers.

When selecting an Independent Manager, Total Financial reviews information about the Independent

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Manager, such as material supplied by the Independent Manager and/or independent third parties. These materials provide a description of the Independent Manager's investment strategies, past performance and risk adjusted returns to the extent available. When recommending an Independent Manager, Total Financial considers the client's stated investment objectives and risk tolerance. Total Financial also considers the Independent Manager's approach to asset management, and whether it is an appropriate fit for the client. However, for discretionary accounts, Total Financial is granted the authority to deviate from the initial or current investment strategy and/or asset allocation and to change Independent Managers, strategies or programs.

In addition to Total Financial's written disclosure brochure, the client also receives the written disclosure brochure of the designated Independent Managers. Certain Independent Managers may impose more restrictive account requirements and varying billing practices than Total Financial. In such instances, Total Financial may alter its corresponding account requirements and/or billing practices to accommodate those of the Independent Managers.

## **Independent Managers**

As discussed herein, Total Financial recommends that certain clients authorize the active discretionary management for a portion or all of their assets by and/or among certain Independent Managers. Independent Managers are other investment advisors that are granted discretion, by the client, to manage their investments. Once the recommendation is implemented, Total Financial will continue to monitor the Independent Manager's performance. Total Financial's recommendations rely, to a great extent, on the Independent Manager's ability to successfully implement its investment strategy. In addition, Total Financial does not have the ability to supervise the Independent Managers on a day-to-day basis, if at all. The use of Independent Managers does not ensure a successful investment outcome. The past performance of an Independent Manager, or the strategy implemented by the Independent Manager, is not a guarantee of future results.

## **Rollovers to an IRA**

Clients, and prospective clients, considering a rollover from an Employer Retirement Plan to an Individual Retirement Account ("IRA") are encouraged to consider and to investigate the advantages and disadvantages of an IRA rollover from their existing 401(k), 457, 403(b) or other qualified pension plan.

A plan participant leaving an employer typically has four options (and may engage in a combination of these options): 1) Leave the money in his former Employer Retirement Plan, if permitted; 2) Rollover the assets to his new employer's plan, if one is available and if rollovers are permitted; 3) Rollover Employer Retirement Plan assets to an IRA; 4) Cash out (or distribute) the Employer Retirement Plan assets and pay the taxes due. Regulatory authorities have advised investors that they may face increased fees when they transfer retirement savings from their current Employer Retirement Plan to an IRA rollover account. Clients are advised that even if there are no costs associated with the IRA rollover itself, there will be costs associated to account administration, investment management or both. There may also be additional management expenses associated with the investment itself.

Total Financial manages investments for clients in advisory accounts and charges a fee to manage accounts.

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Therefore, in addition to the fees charged by Total Financial, the underlying investments (mutual fund, ETF, annuity, or other investment) typically also charge management fees. Custodial fees may also apply. Investing in an advised IRA with Total Financial will typically be more expensive than the current Employer Retirement Plan.

Prior to electing to rollover assets from the current Employer Retirement Plan to an IRA managed by Total Financial, listed below are some important considerations. *This is **not** necessarily an **exhaustive list** of all considerations:*

- The type of account investment management desired. For example, is assistance in the management of investments desired on a discretionary or non-discretionary basis; or is a self-managed account preferred.
- Available investment choices.
- The professional assistance available to participants in the current Employer Retirement Plan when compared to the advisory services offered by Total Financial in an advised IRA account.
- The cost of advisory fees.
- Management expenses associated with the underlying investments in an IRA advisory account vs. the underlying investment expenses associated with the *current* Employer Retirement Plan. Typically, the management expenses in the current Employer Retirement Plan are less expensive than in a rollover IRA advisory account.
- Custodial charges in the advised IRA account vs. the current Employer Retirement Plan.
- The desire to work with an adviser that is a fiduciary.
- Consolidation of assets.
- The ability to obtain advice relative to Roth conversions, required minimum distributions, beneficiary designations, 72(t) distributions, the desired asset allocations, and other considerations.
- The rules pertaining to Net Unrealized Appreciation (NUA) and whether making a decision on NUA is material to the decision-making relative an IRA rollover.
- Transaction charges associated with the advised IRA vs. the *current* Employer Retirement Plan.
- The rules pertaining to the required minimum distributions ("RMD") in the current Employer Retirement Plan when compared to the advised IRA.
- Legal protections afforded to current Employer Retirement Plan participants and to rollover IRA account owners. Employer Retirement Plans have significant liability protection.
- The rules pertaining to beneficiaries of an IRA vs. the current Employer Retirement Plan (inherited accounts).
- The loan provision associated with the current Employer Retirement Plan, if any. IRA accounts do not have loan provisions.
- Employer Retirement Plans that may be available from a new employer.
- For clients under age 59½ year of age, that have separated from service and rolled their assets to an IRA and then take a distribution before attaining age 59½, may be subject to a 10% excise tax in addition to ordinary income tax.
- There are numerous other considerations.

Clients and prospective clients are urged to seek advice from their CPA, tax adviser, plan administrator and/or legal counsel prior to rolling over assets from the current Employer Retirement Plan to an advised IRA with Total Financial.



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## Conflict of Interest - Retirement Rollovers

The recommendation by Total Financial or any of its Supervised Persons that a client, or prospective client, rollover assets from an Employer Retirement Plan to an IRA managed by the adviser presents a conflict of interest. Total Financial and its Supervised Persons have an incentive to recommend that an investor rollover plan assets into an IRA because Total Financial stands to earn an asset-based fee as a result, but no compensation if assets are retained in the plan.

## Retirement Programs

Total Financial may also be engaged by trustees of a workplace Employer Retirement Plan to seek advice about their group retirement plan (i.e. a 401(k) Profit Sharing Plan). Assets held by the participants of a group Employer Retirement Plan are self-directed by the participants. The plan trustees of Employer Retirement Plans are given advice on a non-discretionary basis.

## Variable Annuities

Total Financial may also be engaged by clients that seek discretionary advice about a variable annuity. Once engaged (subject to the exception regarding clients who are residents of the State of California, as described below), Total Financial will allocate the annuity assets among the various investment sub-accounts that comprise the variable annuity product. For such engagements, the client must accept that Total Financial's investment allocation choices are limited to the investment sub-accounts provided by the annuity product. Should the client elect a living benefit rider (such as a guaranteed living withdrawal benefit rider) the sub-account investment allocation choices will typically be severely restricted. Total Financial includes the variable product assets as part of "assets under management" for the purposes of calculating its annual advisory fee. The current advisory fee for such service is based upon the market value of the assets within the annuity at the end of each quarter and the advisory fee shall generally be .75% (75 basis points per year) or less, paid quarterly in arrears. *Clients are advised that the current annuity advisory fee is subject to change in the future.*

California Clients Please Note: For Total Financial's clients who are residents of the State of California, Total Financial will not charge a fee with respect to any advice or guidance provided to such a client regarding his/her/its interest or rights in an insurance or annuity contract. Furthermore, affiliates of Total Financial do not sell commissioned insurance products in the State of California.

## Item 5. Fees and Compensation

### Financial Planning and Consulting Fees

Total Financial may charge a fixed fee and/or hourly fee for financial planning and consulting services. These fees are negotiable, but generally range from \$750 to \$10,000 on a fixed fee basis, or \$350 on an hourly rate basis, depending upon the level and scope of the services and the professional rendering the financial planning and/or the consulting services. In some circumstances (i.e. where clients engage Total Financial for ongoing general consulting), Total Financial may charge an asset-based fee of up to 1% of the assets covered by the financial planning/consulting services; or an hourly fee; a quarterly fee; or a flat fee. Ongoing consulting

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fees are charged quarterly in advance, as stated in the Agreement. If the client engages Total Financial for additional advisory services, Total Financial may offset all or a portion of its ongoing advisory fees for those services based upon the amount paid for recent financial planning and/or consulting services. Total Financial's financial planning and consulting fees are separate from any investment management fees and other charges, including but not limited to, commissions that Supervised Persons may have received for non-advisory business conducted by the affiliate.

Prior to engaging Total Financial to provide financial planning and/or consulting services, the client is required to enter into a written Agreement with Total Financial setting forth the terms and conditions of the engagement. Total Financial typically requires one-half of the financial planning/consulting fee (estimated hourly or fixed) payable upon entering the written Agreement. The balance is generally due upon delivery of the financial plan, Investment Policy Statement, hypothetical illustration(s) containing recommendations, or upon the completion of the agreed upon services.

## **Investment Management Fee**

Total Financial provides investment advisory management services for an annual fee, based upon a percentage of the market value of the assets being managed by Total Financial. Total Financial's annual fee is exclusive of, and in addition to brokerage commissions, transaction fees, custodian charges, 12b-1 fees on mutual funds and other related costs and expenses which are incurred by the client. Total Financial does not, however, receive any portion of these commissions, fees, and costs. Total Financial's annual fee is prorated and charged quarterly, in arrears, based upon the market value of the assets being managed by Total Financial on the last day of the previous quarter (or other such appropriate date selected by the Advisor). The annual fee for PCS and EAP accounts and for advice on advisory accounts varies between 0.50% and 1.45%, depending upon the market value of the assets under management for each account and the type of investment advisory management services to be rendered. Total Financial shall negotiate and charge a management fee based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client or family relationship, account retention, service requirements, referral sources, negotiations with the client, etc.). The advisory management fee is stipulated in the Agreement. An account closure fee may apply to accounts that are closed within the first year with Total Financial.

**Please Note:** Should a Client terminate the Agreement by closing an Account(s) managed by Total Financial within the first year of the Agreement, a \$250.00 Account closure fee shall apply to each Account in addition to Total Financial's annual advisory fee. The fee may be waived at the discretion of Total Financial.

**Standard Advisory Fee Schedule.** Below is the standard fee schedule charged by Total Financial. It is subject to modification as agreed to by the client and adviser. Total Financial, in its sole discretion, may charge a lesser investment advisory and/or a flat fee based upon certain criteria as stated above. The fees listed below are charged in arrears on a per account basis (the fee schedule is applied to each account separately). The fee schedule is tiered per account.

**Please Note:** As result of the above, similarly situated clients could pay different fees. In addition, similar advisory services may be available from other investment advisers for similar or lower fees. Any questions should be referred to Total Financial's Chief Compliance Officer, Joseph Piangozza.

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Level of Assets	Annual Fee
First \$500,000	1.45%
Next \$500,000	1.00%
Next \$2,000,000	.80%
Next \$2,000,000	.60%
Over \$5,000,000	.45%

## Fees Charged by Financial Institutions

As further discussed in response to Item 12 (below), Total Financial recommends that clients utilize the brokerage and clearing services of independent Financial Institutions such as broker-dealers and custodians.

Clients incur certain charges imposed by these Financial Institutions and other third parties such as fees charged by Independent Managers, custodial fees, early redemption fees, charges imposed directly by a mutual fund, ETF or annuity in the account, which is disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, annuity rider fees, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, account closure fees and other fees pertaining to investment accounts, and taxes related to securities transactions. Clients may incur brokerage commissions and transaction fees. Such charges, fees and commissions are exclusive of, and in addition to, Total Financial's fee. None of the charges imposed by the Financial Institutions are paid to Total Financial as an additional fee or commission. Total Financial is only compensated for advisory services rendered. The investment management fees charged by the designated Independent Managers, together with the fees charged by the corresponding designated broker-dealer/custodian of the client's assets, are exclusive of, and in addition to, Total Financial's investment advisory fee as set forth in the Agreement.

## Share Class Selection

When recommending investments in mutual funds, it is Total Financial's policy to review and consider available share classes. Total Financial recommends no-load mutual funds and its policy is to select the most appropriate share classes based on various factors including but not limited to; minimum investment requirements, trading restrictions, internal expense structure, transaction charges, availability and other factors. When considering all the appropriate factors the firm may select a share class other than the "lowest cost" share class. In order to select the most appropriate share class, the firm may select retail, institutional or other structured share classes when appropriate. Institutional share class mutual funds typically have lower costs than other share classes and generally do not have an associated 12b-1 fee, leading to a lower overall expense ratio than class A, B, or C shares of the same mutual fund. Client may be able to obtain lower cost share classes than those selected by Total Financial.

Total Financial periodically reviews the mutual funds held in client advisory accounts to select the most appropriate share classes in light of its duty to obtain best execution.

Both Total Financial's Agreement and the client's agreement with a Financial Institution generally authorize Total Financial, or an Independent Manager to debit the client's discretionary account for the amount of Total Financial's

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fee and to directly remit that management fee to Total Financial or to the Financial Institution. Any Financial Institution recommended by Total Financial has agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account, including the amount of management fees paid directly to Total Financial.

The client may authorize Total Financial to debit a different non-qualified account for the amount of Total Financial's fee, in accordance with the Agreement. In the event a client has an IRA annuity and another IRA account, the client may authorize that all fees for advice for the IRA's be paid from one account. Such authorization must be in writing and is typically included in the Agreement.

## **Fees for Management During Partial Quarters of Service**

For the initial period of investment management services, the fees shall be calculated on a pro-rata basis. The Agreement between Total Financial and the client will continue in effect until terminated by either party pursuant to the terms of the Agreement. Total Financial's fees are prorated on or about the date of notification of pending account closures, or when the account is closed, and any remaining balance is charged or refunded to the client, as appropriate.

If assets are deposited into or withdrawn from an existing account after the inception of a quarter, the fee payable with respect to such assets will not be adjusted or prorated based on the number of days remaining in the quarter. Upon notification that an advisory account is to be closed, and/or the assets are being transferred by the client, then Total Financial will charge the agreed advisory fee on a pro-rata basis on or about the date of notification. Should assets be transferred out of an advisory account prior to the final billing, Total Financial will bill the client directly on a pro-rata basis.

Total Financial does not receive commissions on investment advisory accounts. However, if a client incurs a contingent deferred sales charge or an account closure fee due to the transition of assets to an account managed by Total Financial then, Total Financial may offer a fee forgiveness program. Fee forgiveness is subject to the discretion of Total Financial and is not a part of the Agreement.

## **Item 6. Performance-Based Fees and Side-by-Side Management**

Total Financial does not provide any services for performance-based fees. Performance-based fees are those fees based on a share of capital gains on or capital appreciation of the assets of a client.

## **Item 7. Types of Clients**

Total Financial provides its services to individuals, pension plans, defined benefit plans, profit sharing plans and/or other qualified plans, trusts, estates, corporations and business entities. Total Financial reserves the right to offer its services to any person or entity as allowed by law.

### **Minimum Account Size**

Total Financial reserves the right to impose a minimum portfolio size of \$250,000 for new and existing clients. Total

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Financial, in its sole discretion, may accept clients with smaller portfolios based upon certain criteria including referral source, anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client relationship, account retention, referral source, and pro-bono activities. Total Financial shall only accept clients with less than the minimum portfolio size if, in the sole opinion of Total Financial, the smaller portfolio size will not cause a substantial increase of investment risk beyond the client's identified risk tolerance. Total Financial may aggregate the portfolios of family members to meet the minimum portfolio size or waive the minimum portfolio size on a case by case basis. Additionally, certain Independent Managers may impose more restrictive account requirements and varying billing practices than Total Financial.

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

### **Methods of Analysis and Investment Strategies**

Total Financial constructs client portfolios based on the principles of goal-oriented planning and diversification, in accordance with clients' personal objectives, experience, time horizon, and risk tolerance. Diversification is sought at the security level (e.g., multiple stocks and bonds), asset class (e.g., large-cap stocks, small-cap stocks, international stocks, government bonds, high-yield bonds, international bonds, etc.), and through a diverse asset allocation approach (strategic, tactical, absolute return) levels.

Client assets are managed either directly by Total Financial or through the use of an Independent Manager.

For asset allocation purposes, Total Financial may use multiple Independent Managers, each having a unique risk exposure and investment strategy. The Independent Managers may implement the portfolios in ways that hedge against each other (i.e. one may include long-only fixed income positions, while another may contain inverse fixed-income exposure), while at other times Independent Managers may converge. In either circumstance, Total Financial's process utilizes Independent Managers whose asset allocation approaches it believes are appropriate for the client and which possess the tools and capabilities to execute its strategy. For some clients, one Independent Manager may be sufficient to satisfy the asset allocation needs of the portfolio, while adhering to the client's risk tolerance.

For accounts managed directly by the Adviser, Total Financial will generally implement its strategies with mutual funds and/or ETFs that meet its criteria at the time of implementation. Certain clients may opt to maintain specific legacy positions as part of their account; or may opt for the purchase of specific securities to be held in their advisory account. Such positions will be monitored and reviewed by Total Financial, and legacy positions will be monitored and reported to the client on the quarterly statement.

### ***Independent Managers***

When utilizing Independent Managers, Total Financial starts with distinct approaches to asset allocation. Within each approach, Total Financial identifies third-party strategists that it believes have the capability to execute a given strategy and bring value to the portfolio construction process. When performing due diligence on an Independent Manager and a target strategy, Total Financial considers many factors. The factors may

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include Total Financial's experience with the Independent Manager, the historical risk/return characteristics of the strategy; the longevity of the strategy; and market conditions during its lifespan; the degree of tracking error and manager flexibility built into the strategy, and whether such flexibility is desired; the asset base and financial stability of the Independent Manager, the longevity of the management team with the Independent Manager, the assets implemented in the target strategy; the size of the management team working on the strategy; the research capabilities of the strategist firm; the strategist's process for researching and selecting securities for implementation; and how the target strategy has functioned in different capital market environments; the fees charged by the Independent Manager.

After determining which Independent Managers are to be used within each approach to asset allocation, Total Financial decides the weight to apply to each of the Independent Managers. The target weight varies depending upon market conditions, operational constraints, and the risk/return profile of the client, among other considerations.

## ***PCS and EAP Accounts***

PCS and EAP accounts are managed directly by Total Financial, based on the risk/return profile of the client that is determined when the account is established; and thereafter. Total Financial develops a set of model portfolios that provide a starting point for portfolio construction; but actual client portfolios are frequently unique to the client and may be customized based on the specific needs, goals, objectives and the stated risk tolerance of the client. The target asset allocation for each model portfolio shows how assets will be divided between each asset class (equities, fixed income, cash), and between many sub-asset classes, (large-cap stocks, small-cap stocks, investment grade bonds, international bonds, etc.). For PCS and EAP accounts, Total Financial follows a strategic asset allocation approach for most of the assets included in each client's account (i.e., the "core" of the portfolio). For each profile, the target asset allocation is expected to show only incremental change over time, while some tactical adjustment is allowed. Target allocations may be modified in the implementation of a client's portfolio for several reasons, including reasonable restrictions requested by the client, capital markets outlook and related tactical considerations, tax considerations, and the inclusion of alternative asset classes, as appropriate.

Core positions are designed to provide investors with the appropriate exposure to the target asset class. This type of approach is frequently referred to as a "relative return" strategy. Core positions will generally consist of index, index-plus, or mutual funds and ETFs with a high correlation to its asset class. Core positions generally have a large number of holdings to effectively diversify away firm-specific risk while maintaining exposure to market risk. The more liquid and efficiently priced the asset class, the larger the emphasis placed on maintaining passive positions.

Satellite positions are designed to provide investors with either a hedge to market risk (risk mitigation), or may have the potential to provide additional alpha (risk-adjusted excess return). Satellite positions will primarily be implemented via actively managed mutual funds or with ETFs. Total Financial does not limit itself to one specific discipline or investment approach when choosing a satellite fund (e.g. sector rotation, technical

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analysis, deep-discount, earnings growth, etc.), but seeks to find a mutual fund, and/or an Independent Manager with a track record of consistently applying their investment discipline with successful historic results.

## ***Employer Retirement Plans***

When the assets are part of an Employer Retirement Plan (such as with Principal Financial), Total Financial will recommend a menu of available securities to the plan trustees, based on its due diligence. Recommendations made by Total Financial to the plan trustees of a group retirement plan are made on a non-discretionary basis. The only services Total Financial provides to plan participants are investment related educational services.

## **Risk of Loss**

### *Mutual Funds, ETFs, and Annuities*

An investment in a mutual fund (including a money market fund), ETF, or annuity sub-account involves risk, including the loss of principal. When evaluating the risk associated with a particular mutual fund, ETF and/or annuity sub-account, an investor should refer to the applicable prospectus.

## **Use of Inverse/Enhanced Market Strategies**

Total Financial may utilize long and short mutual funds and/or exchange traded funds that are designed to perform in either an: (1) inverse relationship to certain market indices (at a rate of 1 or more times the inverse [opposite] result of the corresponding index) as an investment strategy and/or for the purpose of hedging against downside market risk; and (2) enhanced relationship to certain market indices (at a rate of 1 or more times the actual result of the corresponding index) as an investment strategy and/or for the purpose of potentially increasing gains in an advancing market. There can be no assurance that any such strategy will prove profitable or successful. In light of these enhanced risks/rewards.

The use of inverse and/or enhanced securities is atypical for Total Financial. Inverse and/or enhanced securities will only be used after consultation with a sophisticated investor. Total Financial will only implement such a strategy with approval from the client.

## **Structured Products**

Structured Products (also called “*Structured Notes*” or “*Structured CDs*”) are not suitable for all investors. Structured Notes are debt securities issued by Financial Institutions whose returns are based on, among other things, equity indexes, a single equity security, a basket of equity securities, interest rates, commodities, and/or foreign currencies. Thus, returns are “linked” to the performance of a reference asset or index. Structured notes have a fixed maturity and include two components – a bond component and an embedded derivative. Financial Institutions typically design and issue structured notes, and broker-dealers sell them to individual investors. Some common types of structured notes sold to individual investors include: principal protected notes, reverse convertible notes, enhanced participation or leveraged notes, and hybrid notes that combine multiple characteristics.

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The return formula for such Structured Products may contain complex features which should be understood prior to making an investment, and can result in the Structured Product's performance deviating significantly from its reference index(es) and/or reference security(ies). These products may lose value based on market results. The payment at maturity is subject to the ability of the issuer to pay. The purchaser of Structured Products bears the risk that the issuer could default.

Structured Products may involve a high degree of risk. Be advised that these investments are typically illiquid, and frequently there is not a secondary market available for the sale of a Structured Products prior to maturity. Clients that invest in Structured Products are encouraged to consider all the risks associated with this type of investment as identified in the prospectus.

There can be no assurance that any such strategy will prove profitable or successful. In light of these enhanced risks/rewards. Total Financial will only implement such a strategy with approval from the client.

The use of Structured Products is rare for Total Financial. Structured Products will only be used on a non-discretionary basis. Total Financial will only implement a Structured Product strategy with the written approval of the client.

## ***Market Risks***

The profitability of a significant portion of Total Financial's recommendations may depend to a great extent upon correctly assessing the future course of price movements of capital markets. There can be no assurance that Total Financial will be able to accurately predict those price movements. Diversification does not remove market risk or the possibility of principal loss.

Total Financial may recommend the use of Independent Managers for certain clients. Total Financial will continue to conduct ongoing due diligence of such managers and monitor their performance. Total Financial's recommendations rely, to a great extent, on the Independent Managers ability to successfully implement their investment strategy. In addition, Total Financial does not have the ability to supervise the Independent Managers on a day-to-day basis, if at all. The use of Independent Managers does not ensure a successful investment outcome. The past performance of an Investment Manager, or the strategy implemented by the Investment Manager, is not a guarantee of future results.

*Please Note:* Past performance may not be indicative of future results. Different types of investments involve varying degrees of risk. Therefore, it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended and/or undertaken by Total Financial Advisors, LLC), or any non-investment related services, will be profitable, equal any historical performance level(s), be suitable for your portfolio or individual situation, or prove successful. Total Financial Advisors, LLC is neither a law firm nor accounting firm, and no portion of its services should be construed as legal or accounting advice. Please remember that it remains your responsibility to advise Total Financial Advisors, LLC, in writing, if there are any changes in your personal/financial situation or investment objectives for the purpose of reviewing/evaluating/revising our previous recommendations and/or services or if you would like to impose, add, or to modify any reasonable restrictions to our investment advisory services.

*Please Further Note:* When the client or prospective client is presented with performance data, the client is



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advised that the performance data shown represents past performance, which is not a guarantee of future results. Investment returns and principal value will fluctuate, so that investor's shares, when sold, may be worth more or less than their original cost. Furthermore, the client is advised that past performance may not be indicative of future results, and understands that the future performance of any specific investment or investment strategy (including the investments and/or investment strategies implemented by the Adviser) may not be profitable or have performance equal to historical performance levels. Historic performance that is referenced by Morningstar is always gross of fees (the fees have not been deducted from the historical performance data).

The Adviser does not guarantee the future performance of any recommendation(s) made; or warrant any specific level of account performance; or the success of any investment recommendations or strategy that the Adviser may recommend for the account (or implement in an account). Client understands that investment recommendations and implementations for an account by Adviser are subject to various market, currency, economic, political and business risks, and that the investment will not always be profitable.

## *General Risk of Loss*

Investing in securities involves the risk of loss of principal. Clients should be prepared to bear such loss.

## *Management Through Similarly Managed Accounts*

For PCS and EAP clients, Total Financial generally manages portfolios by allocating portfolio assets among various securities on a discretionary basis, using one or more of its proprietary investment strategies (collectively referred to as "*Investment Strategy*"). In so doing, Total Financial buys, sells, exchanges and/or transfers securities based upon the Investment Strategy.

Total Financial's management using the Investment Strategy, complies with the requirements of Rule 3a-4 of the Investment Company Act of 1940, as amended. Rule 3a-4 provides similarly managed accounts, such as the Investment Strategy, with a safe harbor from the definition of an investment company.

Securities in the Investment Strategy are usually exchanged and/or transferred based on factors other than a client's individual tax ramifications. Total Financial is primarily focused on total return; tax sensitivity is secondary unless specified as a requirement in the client's Investment Policy Statement and/or in the Agreement. Certain clients may request that their account has a focus on tax minimization. As further discussed in response to Item 12 (below), Total Financial allocates investment opportunities among its clients in a fair and equitable basis.

## *Sale of Securities*

The sale of a security will typically create a capital event (either capital gain or a capital loss).

## *Additional Risks Related to ETFs*

Total Financial may implement an investment strategy by using, in whole or in part, ETFs. The market value of an ETF's shares may differ from its net asset value ("NAV"). This difference in price may be due to the fact that the supply and demand in the market for ETF shares at any point in time is not always identical to the supply and demand in the market for the underlying basket of securities. Accordingly, there may be times when an ETF trades at a premium (creating the risk that the ETF pays more than NAV for the ETF when making a purchase)

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or discount (creating the risk that the NAV is reduced for undervalued ETF it holds, and that the ETF receives less than NAV when it is sold).

## *Distributions from IRAs and Other Qualified Accounts.*

Distributions from IRAs and other qualified accounts are typically taxed as ordinary income. An excise tax may apply depending upon the client's age and circumstance.

## **Item 9. Disciplinary Information**

Total Financial is required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of its management. Total Financial does not have any required disclosures to this Item.

## **Item 10. Other Financial Industry Activities and Affiliations**

Total Financial is required to disclose any relationship or arrangement that is material to its advisory business or to its clients. Total Financial has described such relationships and arrangements below.

### **Receipt of Insurance Commissions**

Recommendations and consultations regarding insurance products, including annuities, are made by Total Financial Systems Inc. and its affiliated agents. Total Financial Systems Inc. and the Adviser are affiliated entities. When providing insurance-related advice, the Adviser performs investment advisory services solely limited to the management of insurance sub-accounts.

Total Financial is under common control with Total Financial Systems, Inc. ("TFS"), a duly licensed insurance agency. Certain of Total Financial's Supervised Persons, in their individual capacities, are also licensed insurance agents with TFS and directly with various insurance companies; and in such capacity, may recommend, on a fully-disclosed commission basis, the purchase of certain insurance products (subject to the exception regarding clients who are residents of the State of California in item 4 above). Total Financial does not provide insurance consultations or recommendations, nor does Total Financial sell insurance or annuity products for a commission. Recommendations and consultations regarding insurance and annuity products are made through TFS and its affiliated agents. TFS is an affiliated entity of Total Financial and is under common control and ownership. TFS and its affiliated agents, including Total Financial's Supervised Persons may receive insurance commissions.

A potential conflict of interest exists when Total Financial refers its investment advisory clients to TFS to conduct insurance business for commission, as the receipt of commissions may provide an incentive to recommend commission products based on commissions received, rather than on a particular client's need. No client is under any obligation to purchase any commission products from Total Financial's Supervised Persons or its affiliate, TFS. Clients are reminded that they may purchase insurance products through other, non-affiliated insurance agents.

Please Also Note: When providing insurance-related advice, Total Financial performs investment advisory

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services strictly limited to the investment management of insurance sub-accounts. Total Financial does not receive commissions on advisory accounts, including insurance sub-accounts.

## **Additional Business Relationships with Financial Institutions:**

Total Financial receives assistance from Custodians and Financial Institutions with whom it conducts business. Financial Institutions may assist in the payment of client appreciations dinners, client seminars, client educational events, and may provide research and due diligence. Financial Institutions at times provide guest speakers for client events. Financial Institutions may also invite Total Financial's Supervised Persons to its educational conferences and pay for certain expenses. Assistance granted by Financial Institutions to Total Financial may incent Total Financial to conduct business with certain Financial Institutions, thereby creating the potential for a Conflict of Interest.

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## Item 11. Code of Ethics

Total Financial and its Supervised Persons are permitted to buy or sell securities that it also recommends to clients, consistent with Total Financial's policies and procedures.

Total Financial has adopted a Code of Ethics that sets forth the standards of conduct expected of its associated persons and requires compliance with applicable securities laws ("*Code of Ethics*").

In accordance with Section 204A of the Investment Advisers Act of 1940 (the "*Advisers Act*"), its Code of Ethics contains written policies reasonably designed to prevent the unlawful use of material non-public information by Total Financial or any of its Access Persons.

Total Financial and its Supervised Persons may buy or sell securities that are also recommended to clients. This practice may create a situation where the Supervised Persons are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. Practices such as "scalping" (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if Total Financial did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, "front-running" (i.e., personal trades executed prior to those of Total Financial's clients) and other potentially abusive practices.

Total Financial has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of Total Financial's Access Persons. Total Financial's securities transaction policy requires that an Access Person of Total Financial must provide the Chief Compliance Officer or his/her designee with a written report of the current securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person's current securities holdings at least once each twelve (12) month period thereafter on a date Total Financial selects.

Total Financial and Access Persons of Total Financial may buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where the Access Persons of Total Financial are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. As indicated above Total Financial has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of Total Financial's Access Persons. Clients and prospective clients may contact Total Financial to request a copy of its Code of Ethics.

## Item 12. Brokerage & Custody Services

As discussed herein, clients agree to use a broker-dealer and/or custodian for their accounts. Total Financial generally recommends that clients utilize the brokerage, clearing and/or custodial services of certain broker-dealers/custodians. Although Total Financial may recommend that clients establish accounts with certain custodians, it is the client's decision where to custody their assets. Total Financial may only implement its

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investment management recommendations after the client has arranged for and furnished Total Financial with all information and authorization regarding accounts with appropriate Financial Institutions.

Total Financial has historically recommended that Pershing serve as the broker-dealer/custodian for client investment management assets. Total Financial has also approved SEI as a broker-dealer/custodian. Total Financial reserves the right to recommend other broker-dealers/custodians as appropriate. Broker-dealer/custodians such as Pershing and SEI may charge brokerage commissions, transaction fees, management fees and/or other related fees for effecting securities transactions. In addition to Total Financial's investment advisory fee, brokerage commissions and/or transaction fees, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses). The fees charged by any broker-dealer/custodian are in addition to Total Financial's advisory fee referenced in Item 5 above.

Factors which Total Financial considers in recommending custodians to clients include the custodian's respective financial strength, reputation, execution, pricing, research capability, services provided, expertise, product availability, and/or access to third party investment strategies. Generally, the recommended custodians enable Total Financial to obtain many mutual funds, ETFs, individual securities and/or annuities without transaction charges or with reasonable transaction charges. The commissions, transaction fees, and/or internal fees charged by recommended custodians may be higher or lower than those charged by other Financial Institutions.

Financial Institutions, including Pershing and SEI, provide Total Financial with access to their institutional trading and custody services. These services are generally available to investment advisers at no charge to them so long as a minimum amount of assets in custody or assets under management are held by the Financial Institution. Financial Institutions offer incentives for Total Financial to increase assets in custody or assets under management. As described in greater detail below, clients should be aware, that such arrangements create a potential conflict of interest, since these services may influence Total Financial's choice of one broker-dealer/custodian and/or Financial Institution over another. Services generally will be used for the benefit of all Total Financial's clients but services may not benefit all clients equally.

Brokerage commissions paid by Total Financial's clients comply with Total Financial's duty to obtain "best execution." Clients may pay commissions that are higher than another qualified Financial Institution might charge to effect the same transaction. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a Financial Institution's services, including among others, the value of research provided, execution capability, commission rates, and responsiveness. Total Financial seeks competitive rates, but may not necessarily obtain the lowest possible commission rates for client transactions. Total Financial does not share in commissions or fees charged by a custodian for brokerage services.

Total Financial periodically and systematically reviews its policies and procedures regarding its recommendation of Financial Institutions in light of its duty to obtain best execution.

Transactions for each client may be effected independently and with the client selected broker-dealer/custodian. Total Financial may decide to purchase or sell the same securities for several clients at approximately the

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same time. Total Financial may (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among Total Financial's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among Total Financial's clients pro-rata to the purchase and sale orders placed for each client on any given day. To the extent that Total Financial determines to aggregate client orders for the purchase or sale of securities, including securities in which Total Financial's Supervised Persons may invest, Total Financial shall generally do so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. Total Financial shall not receive any additional compensation or remuneration as a result of the aggregation. In the event that Total Financial determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors.

## **Brokerage for Client Referrals**

Total Financial does not recommend broker-dealers and/or custodians to clients, based on our interest in receiving client referrals.

## **Directed Brokerage**

Total Financial does not require or permit clients to have directed brokerage arrangements.

## **Software and Other Services Provided by Financial Institutions**

Total Financial may receive from Financial Institutions, without cost to Total Financial, research, computer software, payment for technology costs, and related systems support, and other services which allow Total Financial to better manage and monitor client accounts. Total Financial may receive these services without cost, or with a reduced cost, because Total Financial renders investment management services to clients who maintain assets with the Financial Institution. The software and related systems support may benefit Total Financial, but not its clients directly. Other support may include the preparation of statements or on-line statement access. Services generally will be used for the benefit of all Total Financial's clients but services may not benefit all clients equally. In fulfilling its duties to its clients, Total Financial endeavors at all times to put the interests of its clients first. Clients should be aware, however, that Total Financial's receipt of economic benefits from a broker-dealer/custodian, and/or Financial Institution creates a potential conflict of interest, since these benefits may influence Total Financial's choice of one broker-dealer/custodian and/or Financial Institution over another. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a potential conflict of interest because Total Financial does not have to pay for the products or services provided.

Total Financial may receive the following benefits from Financial Institutions: Technology; investment and compliance consultations; receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk that exclusively services its registered investment advisers; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and access to an electronic communication network for client order entry, reporting, and account information.

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Total Financial may also receive other economic benefits from Financial Institutions in the form of assistance with client appreciation dinners, guest speakers, client seminars, educational conferences and meetings and related materials sponsored by various Financial Institutions, including but not limited to custodians, broker-dealers, mutual funds, TAMP providers, and other vendors. Total Financial may also receive support with technology and investment research from Financial Institutions. Clients are advised that a potential conflict of interest exists to the extent that Total Financial recommends products from these Financial Institutions or other vendors. However, the client is under no obligation to purchase these products, and Total Financial does not receive any other form of compensation from Financial Institutions and/or vendor for these matters other than as set forth herein.

## **Non-Soft Dollar Research and Benefits**

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, Total Financial may receive from Pershing, SEI or any other Financial Institution (or another broker-dealer/custodian, Independent Manager, platform or fund sponsor, or vendor) without cost (and/or at a discount) support services and/or products, certain of which assist Total Financial to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, including client events, computer hardware and/or software and/or other products used by Total Financial in furtherance of its investment advisory business operations.

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

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

For those clients to whom Total Financial provides investment management services, Total Financial monitors those portfolios as part of an ongoing process. As part of its investment advisory services, Total Financial will review client portfolios on an ongoing basis to determine if any changes are necessary based upon various factors, including, but not limited to, investment performance, fund manager tenure, style drift, and/or a change in the client's investment objective. Based upon these factors, there may be extended periods of time when Total Financial determines that changes to a client's portfolio are neither necessary nor prudent.

For those clients to whom Total Financial provides financial planning and/or consulting services, client reviews are conducted on an "as needed" or "as requested" basis unless the Agreement specifies otherwise.

Internal reviews are conducted by members of Total Financial's Investment Policy Committee on at least a quarterly basis. Clients are entitled to an in-person portfolio review or telephone conference with a member

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of Total Financial's Investment Policy Committee upon reasonable request and during normal hours of business operation at Total Financial. All investment advisory clients are encouraged to discuss their needs, goals, and personal circumstances with Total Financial and to keep Total Financial informed of any changes thereto. Total Financial shall contact ongoing investment advisory clients at least annually to request that the clients schedule an appointment and/or conference call to review their portfolio, as necessary.

Unless otherwise agreed upon, clients are provided with transaction confirmation notices and regular summary account statements ("*reports*") directly from the broker-dealer/custodian and/or Financial Institution. The delivery of an account report may be either electronic or via the delivery of a paper report. Should there be a discrepancy between a report issued by Total Financial and a report issued by a Financial Institution, the client is hereby advised that the report issued by the Financial Institution supersedes that of Total Financial. Those clients to whom Total Financial provides investment advisory services will also receive a report from Total Financial that may include relevant account and/or market-related information such as an inventory of account holdings and account performance. Principal electronically reports client assets on a quarterly basis, directly to the plan trustees and participants.

The Financial Institutions recommended by Total Financial send a physical or electronic statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid. In addition, Total Financial also sends periodic supplemental reports to certain clients. Total Financial does not report on self-directed, non-discretionary accounts. Clients are advised to review the reports from the applicable Financial Institution and/or Custodian to monitor their advisory fees, available investment choices and performance. Total Financial does not send supplemental reports to plan participants in Employer Retirement Plans. In this instance, plan participants shall receive a statement from the respective custodian or Third Party Administrator ("*TPA*"). Those clients to whom Total Financial provides financial planning and/or consulting services will receive reports from Total Financial summarizing its analysis and conclusions as requested by the client or otherwise agreed to in writing by Total Financial. The client is responsible for implementation of the recommendations.

*Please Note:* Supplemental reports and/or statements provided by Total Financial are provided on a household basis, rather than on an account basis, unless the client has notified Total Financial to the contrary.

## Item 14. Client Referrals and Other Compensation

As referenced in Items 10 and 12, Total Financial may receive an indirect economic benefit from certain Financial Institutions. Total Financial, without cost (and/or at a discount), may receive support services and/or products from its broker-dealers/custodians and other Financial Institutions.

Total Financial has established a Solicitor arrangement with one or more persons. Total Financial may compensate a non-employee solicitor ("*Solicitor*") for referring investment advisory clients. When a Solicitor is being compensated, the client shall be notified and the client shall be given, the terms and conditions of the compensation.

Total Financial will pay the Solicitor a referral fee in accordance with Rule 206(4)-3 of the Investment Advisors Act of 1940. The referral fee shall be paid solely from Total Financial's fee based compensation and shall not



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result in any additional charge to the client. Should Total Financial use a Solicitor to obtain advisory business, then a written disclosure will be provided to the client disclosing the terms of the solicitation arrangement between Total Financial and the Solicitor, including the compensation to be received by the Solicitor from Total Financial

## Item 15. Custody

Total Financial does not maintain physical possession of client cash or securities. Cash and securities are maintained at a qualified custodian within the meaning of the Advisers Act. Total Financial's Agreement and/or the separate agreement with any Financial Institution may authorize Total Financial through such Financial Institution to debit the client's account for the amount of Total Financial's fee and to directly remit that management fee to Total Financial in accordance with applicable custody rules. Total Financial is deemed to have custody of client assets (as defined by the Advisers Act) as a result of these direct fee deduction arrangements.

*Please Note:* To the extent that Total Financial provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by Total Financial with the account statements received from the account custodian. In the event of a discrepancy between a statement received from a custodian, and a statement prepared by Total Financial, the statement from the custodian shall prevail. Unless the client directs Total Financial to the contrary, in writing, any statements provided by Total Financial shall be provided on a household basis rather than on an account basis.

*Please Also Note:* The account custodian does not verify the accuracy of the Total Financial's advisory fee calculation.

## Item 16. Investment Discretion

Total Financial may be given the authority to exercise discretion on behalf of clients. Total Financial is considered to exercise investment discretion over a client's account if it can effect transactions for the client without first having to seek the client's consent. Total Financial is given this authority through a power-of-attorney included in the Agreement between Total Financial and the client. Clients who engage Total Financial on a discretionary basis may, at any time, impose restrictions, in writing, on the discretionary authority of Total Financial (i.e. limit or eliminate the use of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe the Total Financial's use of margin, etc.). Total Financial takes discretion over the following activities:

- The securities to be purchased or sold;
- The quantity of securities to be purchased or sold;
- When transactions are made;
- The Independent Managers to be hired or terminated;
- Changes to asset allocation for a discretionary account.

Clients desiring to communicate with Total Financial should be aware that (1) trades are not accepted via voice-mail, and (2) e-mail communications concerning portfolio allocating, trading, and/or strategic changes or alterations must be verified with Total Financial. (3) Wire orders are not accepted via voice-mail or e-mail. (4) Third-party wire orders are not accepted by Total Financial. (5) All telephone calls to Total Financial are recorded for quality control.

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## **Item 17. Voting Client Securities**

Total Financial does not vote client securities on behalf of its clients. Clients will receive their proxies or other solicitations directly from their custodian.

## **Item 18. Financial Information**

Total Financial does not require or solicit the prepayment of more than \$1,200 in fees, six months or more in advance. In addition, Total Financial is required to disclose any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. Total Financial has no disclosures pursuant to this Item.

Any Questions: Total Financial's Chief Compliance Officer, Joseph Piangozza, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.

**Total Financial Advisors, LLC**  
An SEC Registered Investment Adviser

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Registration does not imply any level of skill or training