



# **The Retirement Solution Inc.**

# **Firm Brochure**

(Part 2A of Form ADV)

This brochure provides information about the qualifications and business practices of The Retirement Solution Inc. If you have any questions about the contents of this brochure, please contact us at (425) 558-3700 or by email at [info@trsfamily.com](mailto:info@trsfamily.com). Registration does not imply a certain level of skill or training. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission, or by any state securities authority.

Additional information about The Retirement Solution Inc. (IARD#148106) is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

December 23, 2019

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## **Item 2: Material Changes**

### **Annual update**

The Material Changes section of this brochure will be updated annually.

### **Material changes since the last update**

The material changes in this brochure from the last annual updating amendment of The Retirement Solution Inc. on 03/19/2019 are described below. Material changes relate to The Retirement Solution Inc.'s policies, practices or conflicts of interests.

- TRS will now add client statements that detail fees in the client's portal in Orion.
- TRS has updated its office address (Cover Page).
- TRS has updated asset management fee (Item 5).

### **Amendment**

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at (425) 558-3700 or by email at [info@trsfamily.com](mailto:info@trsfamily.com).

**Item 3: Table of Contents**  
Form ADV – Part 2A – Firm Brochure

<b>ITEM 2: MATERIAL CHANGES .....</b>	<b>II</b>
ANNUAL UPDATE .....	II
MATERIAL CHANGES SINCE THE LAST UPDATE .....	II
AMENDMENT .....	II
<b>ITEM 3: TABLE OF CONTENTS .....</b>	<b>III</b>
<b>ITEM 4: ADVISORY BUSINESS .....</b>	<b>5</b>
FIRM DESCRIPTION .....	5
TYPES OF ADVISORY SERVICES .....	5
CLIENT TAILORED SERVICES AND CLIENT IMPOSED RESTRICTIONS .....	7
WRAP FEE PROGRAMS.....	7
CLIENT ASSETS UNDER MANAGEMENT .....	7
<b>ITEM 5: FEES AND COMPENSATION .....</b>	<b>7</b>
METHOD OF COMPENSATION AND FEE SCHEDULE .....	7
CLIENT PAYMENT OF FEES .....	8
ADDITIONAL CLIENT FEES CHARGED .....	9
EXTERNAL COMPENSATION FOR THE SALE OF SECURITIES TO CLIENTS.....	9
<b>ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT .....</b>	<b>10</b>
SHARING OF CAPITAL GAINS.....	10
<b>ITEM 7: TYPES OF CLIENTS .....</b>	<b>10</b>
DESCRIPTION.....	10
ACCOUNT MINIMUMS .....	10
<b>ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS.....</b>	<b>10</b>
METHODS OF ANALYSIS .....	10
INVESTMENT STRATEGY.....	10
SECURITY SPECIFIC MATERIAL RISKS .....	11
<b>ITEM 9: DISCIPLINARY INFORMATION .....</b>	<b>11</b>
<b>ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS .....</b>	<b>12</b>
BROKER-DEALER OR REPRESENTATIVE REGISTRATION .....	12
FUTURES OR COMMODITY REGISTRATION.....	12
MATERIAL RELATIONSHIPS MAINTAINED BY THIS ADVISORY BUSINESS AND CONFLICTS OF INTEREST .....	12
<b>ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING .....</b>	<b>12</b>
CODE OF ETHICS DESCRIPTION .....	12
INVESTMENT RECOMMENDATIONS INVOLVING A MATERIAL FINANCIAL INTEREST AND CONFLICT OF INTEREST .....	12
ADVISORY FIRM PURCHASE OF SAME SECURITIES RECOMMENDED TO CLIENTS AND CONFLICTS OF INTEREST .....	12
CLIENT SECURITIES RECOMMENDATIONS OR TRADES AND CONCURRENT ADVISORY FIRM SECURITIES TRANSACTIONS AND CONFLICTS OF INTEREST .....	12

<b>ITEM 12: BROKERAGE PRACTICES.....</b>	<b>12</b>
FACTORS USED TO SELECT BROKER DEALERS FOR CLIENT TRANSACTIONS .....	12
AGGREGATING SECURITIES TRANSACTIONS FOR CLIENT ACCOUNTS .....	14
<b>ITEM 13: REVIEW OF ACCOUNTS .....</b>	<b>14</b>
SCHEDULE FOR PERIODIC REVIEW OF CLIENT ACCOUNTS OR FINANCIAL PLANS AND ADVISORY PERSONS INVOLVED .....	14
REVIEW OF CLIENT ACCOUNTS ON NON-PERIODIC BASIS .....	14
CONTENT OF CLIENT PROVIDED REPORTS AND FREQUENCY .....	14
<b>ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION .....</b>	<b>14</b>
ADVISORY FIRM PAYMENTS FOR CLIENT REFERRALS .....	14
<b>ITEM 15: CUSTODY.....</b>	<b>15</b>
ACCOUNT STATEMENTS.....	15
<b>ITEM 16: INVESTMENT DISCRETION .....</b>	<b>16</b>
DISCRETIONARY AUTHORITY FOR TRADING.....	16
<b>ITEM 17: VOTING CLIENT SECURITIES.....</b>	<b>16</b>
PROXY VOTES.....	16
<b>ITEM 18: FINANCIAL INFORMATION .....</b>	<b>16</b>
BALANCE SHEET.....	16
FINANCIAL CONDITIONS REASONABLY LIKELY TO IMPAIR ADVISORY FIRM’S ABILITY TO MEET COMMITMENTS TO CLIENTS.....	16
BANKRUPTCY PETITIONS DURING THE PAST TEN YEARS .....	16

## **Item 4: Advisory Business**

### **Firm description**

Jim Black originally formed his investment firm in 2003, and subsequently founded his current firm, now known as The Retirement Solution Inc. ("TRS") in 2007 and registered with the Securities and Exchange Commission (SEC) the same year. In 2011, TRS moved from SEC registration and became a state registered investment advisor. In 2018, TRS converted back to SEC registration.

TRS provides comprehensive financial planning, investment management, and insurance assessments to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and other business entities. Advice is provided through consultation with the client and might include: income planning, portfolio analysis and design, tax planning, asset protection, education planning, retirement planning, and estate planning.

The client might, but not always, be provided with an evaluation of each client's initial situation, often in the form of a statement or risk analysis. Periodic reviews are also communicated to provide reminders of the specific courses of action that need to be taken. More frequent reviews occur but are not necessarily communicated to the client unless immediate changes are recommended.

Other professionals (e.g., lawyers, accountants, insurance agents, etc.) are engaged directly by the client on an as-needed basis. TRS, its representatives or any of its employees, will disclose to the client all material conflicts of interest.

### **Types of advisory services**

TRS provides the following services to advisory clients:

#### **FINANCIAL PLANNING AND CONSULTING**

Financial planning is offered to all clients. Clients that choose to complete the financial planning process are provided a written plan that includes a personal balance sheet and projections.

Initial consultations are provided at no charge. Advice pertaining to the design and establishment of a written retirement income plan, portfolio analysis and design, asset protection plan, tax-planning analysis, and/or estate plan, depends on the specifics of each client's circumstances.

The following are the financial planning services and basic description of what each service includes. The exact services for each type of planning may vary from client to client and are available to all clients for a negotiable fixed fee. Not all clients receive all services. The following services are available to all clients:

**Income Planning** typically includes some, but not necessarily all, of the following services:

- Income planning for the client's lifestyle with cost of living adjustments (COLA) considered to estimate the potential impact of inflation
- Social Security analysis to help determine when and how to claim client's Social Security benefits
- Pension analysis to help determine when and how to claim your pension benefits
- Exploration of survivor's needs and what would happen if something unexpected happened to client's significant other

**Portfolio Analysis and Design** typically includes some, but not necessarily all, of the following services:

- Review of an existing portfolio, including performance, risk exposure, and fees
- Design of a plan based on appropriate risk level and exposure
- Development of strategies to address the potential growth of an investment portfolio

**Tax Planning** typically includes some, but not necessarily all, of the following services:

- Exploration of ways to reduce the tax on client's income

- Optimization of retirement accounts
- Strategic review of capital gains/losses
- Evaluation of strategies for Federal and State estate taxes

**Asset Protection Planning** typically includes some, but not necessarily all, of the following services:

- Analysis of whether client needs life insurance
- Review Long-Term Care needs and options
- Liability planning to consider whether client is protected
- Exploration if other insurance is needed, including Medicare and Disability

**Estate Planning and Legal Documents** typically includes some, but not necessarily all, of the following services:

- Beneficiary review and updates
- Assistance with estate document compilation

Some or all of the services described above might be delivered orally in a discussion of a client's plan where no written plan is delivered to the client.

All reports, financial statement projections and analyses, are intended exclusively for client's use in developing and implementing their financial plan. In view of this limited purpose, the statements should not be considered complete financial statements. Accordingly, the client should understand that such statements cannot be used to obtain credit or for any purpose other than developing their personal financial plan. TRS will not audit (examine), review or compile such statements and, accordingly, TRS will not express an opinion or other form of assurance on them, including the reasonableness of assumptions and other data on which any prospective financial statements are based.

TRS's analysis will be highly dependent on certain economic assumptions the client must make about the future. Therefore, another important step in the process is establishing the client's familiarity with historical data regarding key assumptions such as inflation and investment rates of return, as well as an understanding of how significantly these assumptions affect the results of the analysis. TRS may counsel you as to the consistency of your assumptions with relevant historical data, but will not express any assurance as to the accuracy or reasonableness of client's specific data and assumptions. Past performance is no guarantee of future results.

All financial planning engagements are executed on a fixed fee basis. Fees for ongoing services after initial consultation and planning are based on a separately executed Service Advisory Agreement that details the services that will be rendered and the cost associated with those services. Additional information is also available in Item 5 of this document.

## ASSET MANAGEMENT

TRS offers discretionary direct asset management services to advisory clients. TRS will offer clients ongoing portfolio management services after determining the client's individual investment goals, time horizons, objectives, and risk tolerance. Investment strategies, investment selection, asset allocations, portfolio monitoring and the overall investment program will be based on those factors listed above. The client will authorize TRS discretionary authority to execute selected investment program transactions as stated within the Discretionary Advisory Agreement.

The client is responsible for all transaction and exchange costs associated with the portfolio. These individually managed portfolios typically include equity, fixed income, cash, and non-traditional investment products as investments. Assets are managed using different models or standardized investment portfolios. The models used by TRS are adjusted within a portfolio based on the individual client's needs and objectives. Client assets are placed into a model using multiple investments funds.

TRS may, but is not obligated to, use the services of a Third-Party Manager(s) to manage portions of client portfolios. Third-Party Managers have the responsibility for day-to-day oversight and

management of portions of a client's investment portfolio. When used, the Third-Party Managers are granted discretionary trading authority and make securities transactions in client accounts without obtaining consent for each transaction from the client or from TRS.

## NEWSLETTERS

TRS periodically provides clients with newsletters. These are provided through email and available on the company website.

### **Client tailored services and client imposed restrictions**

The goals and objectives for each client are documented in TRS's client files. Investment strategies are created that reflect the stated goals and objective. While TRS attempts to accommodate all of a client's needs, in certain cases TRS may not be able to accommodate certain restrictions.

Agreements may not be assigned without the prior written consent of the client.

### **Wrap fee programs**

TRS does not participate in wrap fee programs.

### **Client assets under management**

As of December 2019, TRS has approximately \$194,845,533 of discretionary assets as well as \$2,459,456 of non-discretionary assets for a total of \$197,304,989 assets under management.

## **Item 5: Fees and Compensation**

### **Method of compensation and fee schedule**

TRS bases its fees on a percentage of assets under management and fixed fees.

## FINANCIAL PLANNING AND CONSULTING

TRS enters into a written agreement with each of its financial planning and consulting clients that explains the services to be performed and provides an estimate of the cost to complete the service. Fixed fees are determined and agreed to before beginning the planning process, based on our estimate of the time, complexity of the various parts of the plan, and needs of each client. Fees are paid upon delivery of the specific work product. **Client may cancel at any time prior to delivery of the plan with no obligation.** TRS reserves the right to waive planning and consulting fees for family, employees of TRS and its affiliated companies, and some non-family members.

TRS, its representatives, or any of its employees, will disclose to the clients all material conflicts of interest.

Our financial planning services are available to all our clients on a negotiable fixed fee basis. The fee is based upon the specific services provided and our estimate of the complexity of the client's situation.

Pursuant to Securities Act Policy Statement – 21, when an investment adviser charges an advisory fee, the investment adviser is required to provide advisory clients with written billing information which must contain the fee(s), the formula used to calculate the fee(s), and the time period covered by the fee(s)

## ONGOING FINANCIAL PLANNING & SERVICE

Upon completion of initial financial planning, delivery of the financial plan, and payment of initial planning fee, TRS also offers ongoing service with additional applicable fees. Ongoing services are offered at three different levels that a client may choose from, with each carrying its own separate annual fee. Specific service offerings, definitions, and fee amounts are contained within a separately executed Service Advisory Agreement.

Clients that desire ongoing financial planning services will enter a written agreement with us that explains the services to be performed. Fees are determined and agreed upon prior to entering into the agreement. TRS, at its sole discretion, may waive and/or charge a lesser fee or billing

frequency based upon certain criteria (e.g., historical relationship, type of assets, anticipated future earning capacity, anticipated future additional assets, dollar amounts of assets to be managed, related accounts, account composition, negotiations with clients, etc.)

Our ongoing service fees are paid by our Clients monthly in advance, at the beginning of the service period. These fees may be paid through a direct deduction from your TRS managed investment accounts or through other payment methods as specified in the Service Advisory Agreement such as check, credit, or debit cards. See Client payment of fees section for additional information.

## **ASSET MANAGEMENT**

TRS offers discretionary direct asset management services to advisory clients. TRS's asset management fees are charged at a rate of 1.00%. The Retirement Solution Inc., at its sole discretion, may waive and/or charge a lesser fee or adjust the billing frequencies based upon certain criteria (e.g., historical relationship, type of assets, anticipated future earning capacity, anticipated future additional assets, dollar amounts of assets to be managed, related accounts, account composition, negotiations with clients, servicing needs, etc.). TRS excludes any self-managed positions from the value of client portfolios. TRS has waived or reduced fees for family, employees of TRS and its affiliated companies and some non-family members.

Fees for asset management services will be based on a percentage of assets under management valued on the last business day of the previous calendar quarter or month, and will not take into consideration the flow of funds during the billing period. Quarterly or monthly fees are calculated and charged in advance of portfolio management services being performed. Fees are fully disclosed to the client by way of the written agreement entered into with TRS. The client can choose to authorize the advisor to deduct the fees from the client account, pay by credit card, or pay by check. The client will acknowledge the payment option in the client agreement. If the client chooses to have the fees directly deducted, the following things will occur:

1. Client provides written authorization to deduct fees
2. Custodian sends a statement at least as often as the client is billed
3. An invoice will be sent during or before the Custodian is instructed to deduct the fee

In cases when the advisory agreement does not span the full billing period, fees are prorated from the date of inception or through the date of termination and refunded to the client. The Advisor or client may terminate the investment advisory agreement at any time with a 30-day written notice to the advisor at their main office:

The Retirement Solution Inc.  
18300 Redmond Way, Suite 250  
Redmond, WA 98052

Lower fees for comparable services may be available from other sources.

## **THIRD-PARTY MANAGER FEES**

TRS may use the services of a Third-Party Manager(s) to actively manage portions of client portfolios on a discretionary basis. Third-Party Managers may pay TRS a fee and may also charge a fee for the advisers to which it directs those clients. The fees will not exceed any limit imposed by any regulatory agency. TRS will always act in the best interests of the client, including when determining which Third-Party Manager to recommend to clients. TRS will ensure that all recommended advisers are exempt, licensed or notice filed in the states in which TRS is recommending them to clients. The Third-Party Manager's fee is deducted separately from TRS's management fee and directly from client accounts.

## **Client payment of fees**

Asset management fees are billed quarterly or monthly, in advance, meaning that TRS invoices at the beginning of the three-month or one-month billing period. Payment in full is expected upon invoice presentation. Fees are usually deducted from a designated client account. To facilitate



billing the client must consent in advance to direct debiting of their investment account. If a billing period does not span the complete billing period, i.e., a new account or terminated account, the client's fee will be prorated based upon the number of days that TRS services were performed, and the client will receive a written statement describing the proration of the fee. If fees are not deducted from the client account, fees will be paid by check, credit, or debit card from the client. Using other payment methods that don't remove funds from your managed investment account allows your investment account to grow faster. Because in some cases we are compensated on the value of your account, we have a financial incentive to recommend you not remove funds from your account to pay these fees. This incentive may create a conflict of interest between you and TRS if we recommend you pay these fees from another account to possibly enhance our compensation rather than to serve your best interests. We disclose this conflict of interest so that you are aware of it, and can decide how you want to pay our ongoing service fees.

Fees for financial plans are due upon delivery of the financial plan.

### **Additional client fees charged**

The above-referenced fees charged by TRS do not include brokerage commissions and other costs related to the execution of transactions on behalf of clients. Such costs will be paid by advisory clients in addition to the fees discussed above. Clients are also responsible for asset management fees paid to custodians. These fees are disclosed in the disclosure document or agreements in the custodian's account opening documents. Clients are also responsible for margin interest; wire transfer fees; and safe keeping fees provided by the custodian, transfer agent, or custodian and disclosed by the custodian at the time the client opens their account(s) or when service is requested.

Investment company funds (mutual funds) that are held by advisory clients will bear their own internal transaction and execution costs, as well as directly compensate their investment managers along with internal administrative services. Some funds pay 12b-1 fees, Distribution Fees, and/or Shareholder Service Fees to broker dealers that offer such funds to their clients. These charges affect the Net Asset Value of these fund shares and are thus indirectly borne by fund shareholders such as a TRS client. TRS does not receive any portion of these fees. Some fund companies have imposed a redemption fee. A redemption fee is another type of fee that some funds charge their shareholders when shares are sold or redeemed within a short period of time from the purchase of the fund shares. Although a redemption fee is deducted from redemption proceeds just like a deferred sales load, it is not considered to be a sales load. Unlike a sales load, which is generally used to compensate brokers, a redemption fee is typically used to defray fund costs associated with a shareholder's redemption and is paid directly to the fund, not a broker. TRS does not receive any portion of this fee. The SEC generally limits redemption fees to 2%. In most cases, the funds will use the "first-in, first-out" (FIFO) method to determine the holding period. Under this method, the date of the redemption will be compared with the earliest purchase date of shares held in the account. While it is not the general practice of TRS to sell client's securities in a period that would generate a redemption fee, it should be anticipated that TRS might do so if, in its opinion, the sale is in the client's best interests or fund shares must be redeemed to pay fees from the account.

A complete explanation of these charges is contained in the prospectus and "Statement of Additional Information" for each investment company fund. Clients can get a prospectus from the investment company (through its website or by telephone or mail). Client's financial professional or custodian can also provide a copy.

### **External compensation for the sale of securities to clients**

TRS's management and employees are also licensed to sell insurance products. From time to time, TRS will offer clients advice or products from those activities. Clients should be aware that these services pay a commission or other compensation and can be a conflict of interest, as commissionable products can be a conflict with the fiduciary duties of a registered investment adviser. TRS always acts in the best interest of the client; including the sale of commissionable products to advisory clients. Clients always have the right to decide whether or not to utilize the

services of any TRS representative in such individual's outside capacities.

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

### **Sharing of capital gains**

Fees are not based on a share of the capital gains or capital appreciation of managed securities.

## **Item 7: Types of Clients**

### **Description**

TRS generally provides investment advice to individuals, trusts, estates, and corporations or other business entities.

Client relationships vary in scope and length of service.

### **Account minimums**

TRS does not currently impose a minimum account size to open or maintain an account.

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

### **Methods of analysis**

For security analysis, TRS might use some of the following security analysis methods:

- Charting – analysis performed using patterns to identify current trends and reversals to forecast the direction of prices
- Fundamental – analysis evaluating a securities historical and present data to determine underlying value and potential growth
- Technical – analysis performed on historical and present data to forecast the direction of prices based on price and trade volume

In developing a financial plan for a client, TRS's analysis focuses on income planning, portfolio analysis and design, tax planning, asset protection planning, and estate planning. Based on the information gathered during the client consultations, a detailed strategy is tailored to the client's specific situation.

TRS's methodology for investment portfolios relies on selecting models that are expected to meet client's long-term objectives and are consistent with the level of volatility each client is willing to accept. The client's objectives and risk tolerance are determined through client consultations. The strategies that TRS utilizes attempts to perform close to the market on the upside, while participating less in losses when the overall market goes down.

The main sources of information include research materials and analysis prepared by others, including Morningstar, AdvisoryWorld, fact sheets, and client documents such as tax returns and insurance policies.

### **Investment strategy**

The investment strategy for a specific client is based upon the objectives stated by the client during consultations. The client may change these objectives at any time. Each client executes a risk tolerance document that describes their objectives and their desired investment strategy. Portfolios are monitored at least quarterly and trades are made if TRS considers them necessary.

Other strategies might include long-term purchases (held at least a year), short-term purchases (held less than a year), trading, short sales, and option writing (including covered options, uncovered options or spreading strategies).

As part of TRS's investment strategy, TRS adjusts a portfolio's asset allocation. The goal in using Tactical Asset Allocation is to improve the risk-adjusted returns of an investment portfolio when compared with other investment strategies. TRS modifies asset allocation advice according to TRS's opinion of the valuation of the markets in which clients are invested. TRS attempts to adjust our asset allocation advice to over-weight or focus on a market or sector of the market that TRS feels will perform better than others. TRS strives to buy investments with the goal of holding them as long-term investments, but might recommend clients sell a particular investment if, in TRS's

opinion, it is no longer in the client's best interest to hold. Based on future expectations, TRS will move in and out of certain sectors and may from time-to-time even keep a significant portion or all of client assets in cash.

### **Security specific material risks**

TRS typically uses mutual funds for investments. Most funds are comprised of stock funds, but fixed income or blended funds may also be used at times. There are certain risks and costs associated with investing in mutual funds. Changing market conditions can create fluctuations in the value of a mutual fund investment. The value of a mutual fund investment could fall and be worth less than the principal initially invested. Mutual funds are not insured or guaranteed by an agency of the U.S. government. Investing in securities involves risk of loss that clients should be prepared to bear. Client's portfolio may be worth more or less when they withdraw their funds.

All investment programs have certain risks that are borne by the investor. TRS's investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks and should discuss these risks with TRS:

- *Interest-rate Risk:* Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- *Market Risk:* The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic, and social conditions may trigger market events.
- *Inflation Risk:* When any type of inflation is present, a dollar today will buy more than a dollar next year, because purchasing power is eroding at the rate of inflation.
- *Currency Risk:* Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- *Reinvestment Risk:* This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- *Business Risk:* These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- *Liquidity Risk:* Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- *Negatively Correlated Investment Risk:* Negatively correlated investments might be used in a client's investment portfolio. Negatively correlated investments are designed to perform in a manner opposite to that of a particular market index, on a given day (i.e., go up when the market index goes down). The investments do not guarantee any specific performance and might fail to achieve their goal. If these investments are held for more than one day, their performance will diverge from their goal because of internal factors. If leverage is used within a negatively correlated investment, as in the case of a mutual fund or Exchange Traded Fund, the positive or negative performance will be amplified as well as the divergence risk when the investment is held more than one day. TRS might direct that a client's investment portfolio hold negatively correlated investments for more than one day.

### **Item 9: Disciplinary Information**

Neither TRS nor any of our owners or management team members has been involved in any civil,

criminal, or regulatory investment-related events.

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

### **Broker-dealer or representative registration**

Neither TRS nor any of its employees are registered representatives of a broker dealer.

### **Futures or commodity registration**

Neither TRS nor its employees are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, or a commodity trading advisor.

### **Material relationships maintained by this advisory business and conflicts of interest**

Our owner and Investment Advisor Representatives may from time-to-time recommend an insurance product to a client of TRS. If the client purchases an insurance product through the TRS Investment Advisor Representative while acting as an agent of the insurance company, the TRS Investment Advisor Representative will normally receive compensation based upon the value of the premium paid by the client.

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

### **Code of ethics description**

The employees of TRS have committed to a Code of Ethics. We will provide a copy of the Code of Ethics to any client or prospective client upon request.

### **Investment recommendations involving a material financial interest and conflict of interest**

TRS and its employees do not recommend to clients securities in which TRS has a material financial interest.

### **Advisory firm purchase of same securities recommended to clients and conflicts of interest**

It is the policy of TRS to permit the firm, its employees, and Investment Advisor Representatives, to buy, sell, and hold the same securities that the Investment Advisor Representative also recommends to clients. Such activities create a conflict of interest. If potential insider information is inadvertently provided or learned by a principal or employee, it is the policy of TRS to strictly prohibit its use. It is acknowledged and understood that TRS performs investment services for various clients with varying investment goals and risk profiles. As such, the investment advice may differ between clients and investments made by TRS Investment Advisor Representatives. TRS has no obligation to recommend for purchase or sale, a security that TRS, its principals, affiliates, employees, or Investment Advisor Representatives may purchase, sell, or hold. When a decision is made to liquidate a security from all applicable accounts, client orders will be executed before or at the same time as employee's trade orders. TRS has procedures dealing with insider trading, employee related accounts, "front running", and other issues that may present a potential conflict when such purchases, sales, or recommendations are made. In general, these policies and procedures are intended to eliminate, to the extent possible, the adverse effect on clients of any such potential conflicts of interest.

### **Client securities recommendations or trades and concurrent advisory firm securities transactions and conflicts of interest**

The Chief Compliance Officer of TRS is James Black. He reviews all employee trades each quarter. The personal trading reviews ensure that the personal trading of employees does not affect the markets and that clients of the firm are not disadvantaged.

## **Item 12: Brokerage Practices**

### **Factors used to select broker dealers for client transactions**

TRS may recommend the use of a particular broker dealer or may utilize a broker dealer of the

client's choosing. TRS will select appropriate brokers based on a number of factors including, but not limited to, their relatively low transaction fees and reporting ability. TRS uses TD Ameritrade Institutional, Division of TD Ameritrade, Inc., member FINRA/SIPC, as the preferred custodian. TRS relies on its custodian to provide its execution services at the best prices available. Lower fees for comparable services may be available from other sources. Clients pay for any and all custodial fees in addition to the advisory fee charged by TRS.

TRS participates in the TD Ameritrade Institutional program. TD Ameritrade Institutional is a division of TD Ameritrade, Inc. ("TD Ameritrade") member FINRA/SIPC. TD Ameritrade is an independent SEC-registered broker dealer and is not affiliated with TRS. TD Ameritrade offers independent investment advisor services, which include custody of securities, trade execution, clearance, and settlement of transactions. TRS receives some benefits from TD Ameritrade through its participation in the program.

As disclosed above, TRS participates in TD Ameritrade's Institutional customer program and TRS might recommend TD Ameritrade to clients for custody and brokerage services. There is no direct link between TRS's participation in the program and the investment advice it gives to its clients, although TRS receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving advisor participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to Advisor by third party vendors. TD Ameritrade might also have paid for business consulting and professional services received by Advisor's related persons. Some of the products and services made available by TD Ameritrade through the program may benefit Advisor but may not benefit its client accounts. These products or services may assist Advisor in managing and administering client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help the Advisor manage and further develop its business enterprise. The benefits received by Advisor or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to clients, TRS endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by Advisor or its related persons in and of itself creates a conflict of interest and may indirectly influence the Advisor's choice of TD Ameritrade for custody and brokerage services.

Advisor also receives from TD Ameritrade certain additional economic benefits ("Additional Services") that may or may not be offered to any other independent investment Advisors participating in the program. Specifically, the Additional Services include Orion.

TD Ameritrade provides the Additional Services to Advisor in its sole discretion and at its own expense, and Advisor does not pay any fees to TD Ameritrade for the Additional Services. Advisor and TD Ameritrade have entered into a separate agreement ("Additional Services Addendum") to govern the terms of the provision of the Additional Services.

Advisor's receipt of Additional Services raises conflicts of interest. In providing Additional Services to Advisor, an account custodian most likely considers the amount and profitability of the assets in, and trades placed for, Advisor's client accounts maintained with the custodian. All custodians have the right to terminate their agreements with TRS, in its sole discretion, provided certain conditions are met. Consequently, in order to continue to obtain the benefits from the custodians, TRS has an incentive to recommend to its clients that the assets under management by Advisor be held in custody with a particular custodian and to place transactions for client accounts with a particular custodian. Advisor's receipt of Additional Services does not diminish its duty to act in the best interests of its clients, including seeking best execution of trades for client accounts.

- *Directed Brokerage*  
TRS does not allow directed brokerage.
- *Best Execution*  
Every year, TRS surveys the landscape to compare TD Ameritrade's services and cost to other custodians. The determination of what may constitute best execution and price in the execution of a securities transaction by a broker involves a number of considerations and is subjective. Factors affecting brokerage selection include the overall direct net economic result to the portfolios, the efficiency with which the transaction is effected, the ability to effect the transaction where a large block is involved, the operational facilities of broker dealer, the value of an ongoing relationship with such broker, and the financial strength and stability of the broker. The firm does not receive any portion of the trading fees.
- *Soft Dollar Arrangements*  
TRS recommends the services of TD Ameritrade. We receive benefits and services from TD Ameritrade. If TRS were not doing business with a custodian, certain economic benefits would not be received. These benefits include: a dedicated trading desk, a dedicated service group and an account services manager dedicated to TRS's accounts, ability to conduct "block" client trades, electronic download of trades, balances and positions, duplicate and batched client statements, and the ability to have advisory fees directly deducted from client accounts.

### **Aggregating securities transactions for client accounts**

TRS is authorized in its discretion to aggregate purchases and sales and other transactions made for the account with purchases and sales and transactions in the same securities for other clients of TRS. All clients participating in the aggregated order shall receive an average share price with all other transaction costs shared on a pro-rated basis.

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

### **Schedule for periodic review of client accounts or financial plans and advisory persons involved**

James Black performs managed account reviews quarterly. Financial plans are reviewed by James Black with Cynthia Mueller and Carin Sevigny as backup. Managed account reviews are performed more frequently when market conditions dictate. Financial Plans are considered complete when recommendations are delivered to the client. However, at the request of clients, TRS is available for on-going advice, oversight or monitoring of financial plans after initial completion. Depending on the depth of the review and/or update, additional fees may be charged and clients may be required to sign a new client agreement.

### **Review of client accounts on non-periodic basis**

Other conditions that may trigger a review of a client's accounts are changes in tax laws, new investment information, and changes in a client's own situation.

### **Content of client provided reports and frequency**

Clients receive account statements no less than quarterly for managed accounts. Account reports are issued by the client's account custodian. Client receives confirmations of each transaction in account from custodian and an additional statement during any month in which a transaction occurs.

## **Item 14: Client Referrals and Other Compensation**

### **Advisory firm payments for client referrals**

TRS does not compensate anyone for client referrals. TRS might use the services of Third-Party Manager(s) to actively manage portions of client portfolios on a discretionary basis. The Third-Party Manager charges an additional annual management fee that is deducted separately and in addition to TRS's management fee.

TRS has entered into an agreement with another investment advisor to provide investment management services for its client's 401k accounts independent of The Retirement Solution. Depending on your situation, we may help you select a particular third-party investment advisor service or program. In this situation, the third-party investment advisor provides the investment advice for your portfolio, and TRS provides advice regarding the selection and replacement of the third-party investment advisor. TRS and/or your investment advisor representative receive compensation from the third-party advisors for referring you to them. The form and amount of compensation is disclosed to you in a separate disclosure document provided by the third-party advisor. The form and amount of compensation is equal to a percentage of the investment advisory fee charged by that investment manager or a fixed fee. Because TRS and our representatives receive compensation from these third-party advisors (investment managers) for referring clients, and because this compensation may differ depending on the individual agreement with each third-party investment manager, TRS and the representative have a financial incentive to recommend the third-party advisors (investment managers) that provide more favorable compensation arrangements. This financial incentive creates a conflict of interest where the recommendation might be based on the compensation received rather than your best interest. This conflict is mitigated by the fact that TRS has a fiduciary responsibility to place the best interest of the client first and clients always have the right to decide whether to purchase any products and the right to purchase through any advisor of their choosing.

## **Item 15: Custody**

### **Account statements**

All assets are held at qualified custodians, which means the custodians provide account confirmations and statements directly to clients at their address of record at least quarterly. Clients should carefully review the account confirmations and statements they receive from their custodians for accuracy.

TRS is deemed to have constructive custody solely because advisory fees are directly deducted from client's account by the custodian on behalf of TRS. Please see Item 5 for more information regarding direct deductions.

When our clients enter agreements with their custodian where the client requests the custodian transfer funds to a third-party, we are considered to have custody of client funds. To assure that our client's funds are safeguarded, we take the following steps:

- The client provides an instruction to the qualified custodian, in writing, that includes the client's signature, the third party's name, and either the third party's address or the third party's account number at a custodian to which the transfer should be directed.
- The client authorizes us, in writing, either on the qualified custodian's form or separately, to direct transfers to the third party, either on a specified schedule or from time to time.
- The client's qualified custodian performs appropriate verification of the instruction, such as a signature review or other method to verify the client's authorization, and provides a transfer of funds notice to the client promptly after each transfer.
- The client can terminate or change the instruction to the client's qualified custodian.
- We do not have the authority or ability to designate or change the identity of the third party, the address, or any other information about the third party contained in the client's instruction.
- We maintain records showing that the third party is not a related party of ours or located at the same address as us.
- The client's qualified custodian sends the client, in writing, an initial notice confirming the instruction and an annual notice reconfirming the instruction.

## **Item 16: Investment Discretion**

### **Discretionary authority for trading**

TRS requires discretionary authority to manage securities accounts on behalf of clients. With discretionary authority, TRS's authority is limited to determining, without obtaining specific client consent, the securities to be bought or sold, and the amount of the securities to be bought or sold. Clients may impose certain exclusions and limitations on their account as stated on the client agreement.

The client approves the custodian to be used and the commission rates paid to the custodian. TRS does not receive any portion of the transaction fees or commissions paid by the client to the custodian on certain trades.

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

### **Proxy votes**

TRS does not vote proxies on securities. Clients are expected to vote their own proxies. The client will receive their proxies directly from the custodian of their account or from a transfer agent.

When assistance on voting proxies is requested, TRS will provide recommendations to the client. If a conflict of interest exists, it will be disclosed to the client.

## **Item 18: Financial Information**

### **Balance sheet**

A balance sheet is not required to be provided because TRS does not serve as a custodian for client funds or securities.

### **Financial conditions reasonably likely to impair advisory firm's ability to meet commitments to clients**

The firm has no financial condition likely to impair their ability to meet commitments to clients.

### **Bankruptcy petitions during the past ten years**

Neither TRS nor its management has had any bankruptcy petitions in the last ten years.