

# GUIDELINE, INC. - FORM ADV PART 2A

*Updated: July 5, 2019*

## ITEM 1: GUIDELINE, INC.

This brochure provides information about the qualifications and business practices of Guideline, Inc. ("Guideline"), an investment adviser registered with the Securities and Exchange Commission (the "SEC"). Registration does not imply a certain level of skill or training but only indicates that Guideline has registered our business with the SEC. The information in this brochure has not been approved or verified by the SEC or by any state securities authority.

Additional information about Guideline is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) and our website at [www.guideline.com](http://www.guideline.com).

If you have any questions about the contents of this brochure, please contact us at (888) 228-3491 or [hello@guideline.com](mailto:hello@guideline.com).

## ITEM 2: MATERIAL CHANGES

Since our previous Form ADV Part 2 brochure was published on March 25, 2019, we note the following material changes:

### **Item 4C: Client-Tailored Services and Client Restrictions**

Item 4C was updated to provide details of Guideline's two tiers of 401(k) plan services.

### **Item 5A: Fees**

Item 5A was revised to update Guideline's schedule of fees charged to plan sponsors and participants.

### **Item 5C: Third-Party Fees**

Item 5C was revised to note that, under the Guideline for Advisors® program, Guideline provides billing services to certain third-party advisors.

### **Item 12A: Selection of Custodians and/or Broker-Dealers**

Item 12A was updated to provide that Guideline does not maintain relationships with any broker-dealers.

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## ITEM 4: ADVISORY BUSINESS

This brochure is intended to help you learn more about Guideline's services. If you cannot find what you are looking for here, please direct your questions to [hello@guideline.com](mailto:hello@guideline.com), or visit our website at [www.guideline.com](http://www.guideline.com).

## A. Firm

Guideline is a Delaware corporation formed on June 25, 2015. On February 28, 2019, Guideline became the successor investment adviser to Guideline Investments, L.L.C. when Guideline Investments, L.L.C., a wholly-owned subsidiary of Guideline, was merged with and into Guideline.

## B. Services

Guideline provides plan administration, recordkeeping, and investment management services to employer-sponsored retirement plans. Guideline's services include selecting, monitoring, and managing qualified default investments and portfolios for retirement plans.

Guideline also provides investment recommendations to retirement plan participants via our proprietary software, and recommends managed portfolios comprised of mutual funds.

Guideline's investment decisions are made in the best interest of retirement plan participants. Guideline's economic, investment, and other financial interests are not taken into consideration when making investment decisions.

Guideline also offers a Guideline for Advisors program which allows third-party advisors to assist with managing the accounts of mutual clients. Guideline does not charge additional fees to, nor does it receive any additional compensation from, third-party advisors, plan sponsors, or plan participants for the services provided by Guideline pursuant to the Guideline for Advisors program. The third-party advisor may charge fees to plan sponsors or plan participants for their services pursuant to separate agreements between the advisor and the plan sponsor.

## C. Client-Tailored Services and Client Restrictions

Guideline offers two tiers of 401(k) plan services to employers. Our Startup plan includes plan setup, administration, recordkeeping, and investment management services. Our Prime plan offers all of the services in the Startup plan, plus the following additional premium features:

- New comparability plan design
- Dedicated account management
- Support for non-integrated or non-connected payroll
- Custom plan reporting
- Controlled or Affiliated Service Group administration (such as eligibility tracking or minimum coverage and nondiscrimination testing)

Plan Sponsors may elect to move from a Prime plan to a Startup plan, or from a Startup plan to a Prime plan, once during any calendar year.

Also included with our services are automated investment advice to plan participants via our proprietary software. Pursuant to section 404(c) of the Employee Retirement Income Security Act of 1974, as amended, Guideline provides a selection of diversified investments representing a

range of risk/return characteristics. Participants can choose to invest in one of our managed portfolios - recommended based on the participant's reported risk tolerance and estimated time until retirement - or create a custom portfolio from our investment menu. If a participant does not provide investment instructions, their funds are automatically invested into one of our managed portfolios based on the participant's age and estimated time until retirement.

Clients may not impose restrictions on investing in certain securities or types of securities in accordance with their values or beliefs.

## D. Wrap Fee Programs

In a wrap fee investment program, the investor pays one stated fee to cover management fees, transaction costs, fund expenses, and other administrative fees. Guideline does not participate in any such wrap fee program.

## E. Client Assets

As of July 5, 2019, Guideline managed \$997,000,000 in retirement plan assets on a discretionary basis, and \$332,000,000 on a non-discretionary basis.

# ITEM 5: FEES AND COMPENSATION

## A. Fees

### Plan Sponsors

Guideline bills fees directly to the plan sponsor as set forth below.

<u>Type of Service</u>	<u>Fee</u>
Monthly Participant Fees	\$8 per participating employee
Monthly Base Fees	\$39-\$99
Service Wind-Down Fee	\$250
ACH Chargeback/Reversal Fee	\$50
Extraordinary Services Fee	\$300/hour

Additional information about plan pricing is available at [www.guideline.com/pricing](http://www.guideline.com/pricing).

Guideline provides a detailed schedule of fees to plan sponsors upon entering into a contract for services. Monthly participant fees are negotiable for larger employers.

## Plan Participants

Guideline does not charge participants monthly fees unless the participant has terminated employment with the plan sponsor.

When participants utilize individual services, however, a transaction fee may apply, as detailed below.

<u>Type of Service</u>	<u>Fees</u>
Distribution or Refund	\$50
Loan Application	\$100
Loan Maintenance	\$75/year
Qualified Domestic Relations Order (QDRO)	\$500
Check/Stop Payment Fee	\$50
Overnight Mail Fee (within U.S.)	\$50

Guideline furnishes a detailed schedule of fees charged to plan participants in a fee disclosure statement upon enrollment and on an annual basis.

## Terminated Participants

Plan participants who have terminated employment with the company sponsoring their retirement plan are charged a monthly fee of \$4 after an initial 90-day grace period following termination of employment. The monthly fee shall be deducted from the participant's account for any month during which the month-end account balance is greater than \$0.

## B. Billing and Payment

Monthly invoices are sent to plan sponsors following the end of the month in which services were provided. Fees are paid via electronic fund transfer. Participant fees are deducted from the participant's account balance.

## C. Third-Party Fees

Guideline does not charge our plan sponsors or participants third-party fees.

Guideline requires our clients to use Benefit Trust Company as their custodian. Custodian fees are paid by Guideline; plan sponsors and participants do not pay custodian fees.

Participants are responsible for the payment of third-party mutual fund fees, which are charged directly to the participant account by the mutual funds in which the participant invests.

Under the Guideline for Advisors program, Guideline provides billing services to certain third-party advisors. Guideline does not charge additional fees to, nor does it receive any additional compensation from, third-party advisors, plan sponsors, or participants for these services.

#### D. Prepayment of Fees

Guideline does not accept prepayment of fees.

#### E. Compensation for the Sale of Securities to Clients

Neither Guideline nor our supervised persons accept compensation for the sale of securities or other investment products.

### ITEM 6: PERFORMANCE-BASED FEES

Neither Guideline nor our supervised persons accept performance-based fees on a share of capital gains on, or capital appreciation of, the assets of plan participants.

### ITEM 7: TYPES OF CLIENTS

Guideline's clients are employers who offer employer-sponsored retirement plans to their employees.

### ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES, AND RISK OF LOSS

#### A. Methods of Analysis and Investment Strategies

There are four principles that form the basis of Guideline's investment philosophy and guide us through our duties and responsibilities as an investment manager:

- Make saving for retirement simple and more accessible
- Minimize investment fees
- Diversify broadly for better risk-adjusted returns
- Create long-term investment strategies for retirement investors

Guideline subscribes to Modern Portfolio Theory, which is based on the concept that investors can maximize their expected returns for a given level of risk through a portfolio of diversified assets (or minimize their risk subject to a given level of expected return). Guideline believes participants should have access to a range of low-fee investments with different risk, covariance,

and return characteristics, allowing for the construction of diversified portfolios. Guideline believes that minimizing fees, mitigating risk through diversification, and investing for a long-term horizon are the underpinnings to successfully prepare for retirement.

## B. Material Risks

*Modern Portfolio Theory* assumes that investors are risk averse and will only take on increased risk if compensated with higher expected returns. Investors who want higher returns will need to accept greater risk. Different investors will evaluate the trade-off differently based on their own individual risk profile. When choosing between portfolios, the implication is that rational investors will invest in portfolios with the most favorable risk-to-expected-return profiles and corresponding to their level of comfort with risk.

*Long-term investing* is designed to capture market rates of both return and risk. Investing in the capital markets can expose investors to various types of risk that will typically surface at different intervals. These risks include, but are not limited to, market risk, political and regulatory risk, interest rate risk, credit risk, and inflation (purchasing power) risk.

## C. Risks of Specific Securities

Investors should be aware that there is a material risk of loss using any investment strategy. Our mutual fund investments are not guaranteed or insured by the Federal Deposit Insurance Corporation ("FDIC") or any other government agency. Investing in mutual funds carries the risk of capital loss. All mutual funds have costs that lower investment returns. Primary asset classes of the funds represented in Guideline portfolios include stocks ("equities"), bonds ("fixed income"), and cash equivalents, which present a lower risk.

# ITEM 9: DISCIPLINARY INFORMATION

## A. Criminal or Civil Actions

Guideline has no criminal or civil actions to report.

## B. Administrative Proceedings

Guideline has no administrative proceedings to report.

## C. Self-regulatory Organization (SRO) Proceedings

Guideline has no self-regulatory organization proceedings to report.



## **ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

### **A. Broker-Dealer or Broker-Dealer Representative Registration**

Neither Guideline nor our supervised persons are registered as, or have pending applications to register as a broker-dealer or a representative of a broker-dealer.

### **B. Futures Commission Merchant, Commodity Pool Operator, or Commodity Trading Advisor Registration**

Neither Guideline nor our supervised persons are registered as, or have pending applications to register as, either a Futures Commission Merchant, Commodity Pool Operator, Commodity Trading Advisor, or an associated person of the foregoing entities.

### **C. Material Relationships and Possible Conflicts of Interests**

Neither Guideline nor our representatives have any conflicts of interest to disclose.

### **D. Material Conflicts of Interest From Other Investment Advisers or Managers**

Guideline does not recommend or select other investment advisers for clients.

## **ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS, AND PERSONAL TRADING**

### **A. Code of Ethics**

Guideline has a written Code of Ethics pursuant to SEC rule 204A-1 or similar state rules that covers the following areas:

Prohibited Purchases and Sales, Insider Trading, Personal Securities Transactions, Exempted Transactions, Prohibited Activities, Conflicts of Interest, Gifts and Entertainment, Confidentiality, Service on a Board of Directors, Compliance Procedures, Compliance with Laws and Regulations, Procedures and Reporting, Certification of Compliance, Reporting Violations, Compliance Officer Duties, Training and Education, Recordkeeping, Annual Review, and Sanctions.

*Guideline's Code of Ethics is available upon request to any client or prospective client, at no charge.*

## B. Recommendations Involving Material Financial Interests

Guideline does not recommend that clients buy or sell any security in which Guideline or a related person to Guideline has a material financial interest.

## C. Investing Personal Money in the Same Securities as Clients

Guideline's representatives may buy or sell mutual funds for themselves that Guideline also recommends to plan participants. Though this may provide an opportunity for our representatives to buy or sell the same securities before or after recommending the same securities to participants, Guideline does not believe any such transaction could potentially create a conflict of interest.

## D. Trading Securities at or Around the Same Time as Clients' Securities

From time to time, Guideline's representatives may buy or sell securities for themselves at or around the same time as plan participants. Though this may provide an opportunity for our representatives to buy or sell securities before or after recommending securities to participants, our representatives do not profit off of the recommendations they provide to participants. Guideline does not believe such transactions could potentially create a conflict of interest.

# ITEM 12: BROKERAGE PRACTICES

## A. Selection of Custodians and/or Broker-Dealers

Guideline requires our clients to use Benefit Trust Company as their custodian.

Guideline does not maintain relationships with any broker-dealers. In the event that we do so, Guideline is committed to negotiating reasonable fees for our clients, which includes selecting only commission-free, low expense ratio mutual funds that trade at NAV at the end of a given day.

## Research and Other Soft Dollar Benefits

Guideline conducts our own investment research. Currently, Guideline does not have a soft dollar program or any plans to implement one.

## Brokerage for Client Referrals

Guideline does not receive referrals from a broker-dealer and/or third party in exchange for use of that broker-dealer and/or third party's services.

## Directed Brokerage

Guideline does not require clients to execute transactions through a specified broker-dealer.

## **B. Aggregating (Block) Trading for Multiple Client Accounts**

Guideline maintains the ability to block trade purchases across accounts. While block trading may benefit clients by purchasing larger blocks in groups, we do not feel that clients are at a disadvantage due to the best execution practices of our custodian.

## **ITEM 13: REVIEW OF ACCOUNTS**

### **A. Frequency of Reviews and Who Makes Those Reviews**

Guideline reviews our managed investment portfolios on a regular basis to ensure portfolio characteristics and investment performance adhere to the defined portfolio goals.

### **B. Factors That Trigger a Non-Periodic Review of Client Accounts**

Non-periodic reviews may be triggered by material market, economic, or political events, or by changes in plan participants' financial situations, such as retirement, termination of employment, or disability.

### **C. Content and Frequency of Regular Reports Provided to Clients Regarding their Accounts**

Guideline provides plan participants with a quarterly report detailing the participant's account, including: assets held, asset value, and calculation of fees. Participants may also view their account balance and transactions from their online dashboard, updated daily.

## **ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION**

### **A. Economic Benefits Provided by Third Parties for Advice Rendered to Clients (Includes Sales, Awards, or Other Prizes)**

Guideline does not receive any economic benefit, directly or indirectly, from any third party for advice rendered to our clients.

### **B. Compensation to Non-Advisory Personnel for Client Referrals**

Guideline may enter into written arrangements with third parties to act as solicitors for our services. Guideline integrates our services with third-party payroll providers, benefits providers, and other service providers. Under these arrangements, Guideline may compensate the third-party provider.

As a result of these compensatory arrangements, (i) Guideline does not charge any additional fees to the plan sponsor or any plan participant, (ii) third-party fees are not paid from plan funds, (iii) these third parties do not provide any fiduciary or administrative services to the plan or plan participants regarding the plan, and (iv) neither the plan sponsor nor participants are responsible for any fees paid to these third parties. Compensatory relationships with third parties will be fully disclosed to each client to the extent required by applicable law. All such referral activities will be conducted in accordance with Investment Advisers Act rule 206(4)-3, as applicable.

## **ITEM 15: CUSTODY**

Guideline does not take custody of client assets at any time. Custody of client accounts is held by Benefit Trust Company.

## **ITEM 16: INVESTMENT DISCRETION**

Guideline exercises discretionary trading authority with regard to funds invested in our managed portfolios. This enables Guideline to buy, sell, and specify the number of securities in a participant's account without first obtaining the participant's specific consent. This authority is limited to the transfer or exchange of participant funds between asset classes within mutual fund families and/or other securities to achieve results consistent with the goals of the participant's selected investment portfolio. This discretion does not extend to participants who have created a custom portfolio.

## **ITEM 17: VOTING CLIENT SECURITIES (PROXY VOTING)**

Proxy voting is carried out by the mutual fund manager for each security the fund holds. Plan participants should direct all proxy questions to the mutual fund manager. Should a fund require proxy votes for its own management, Guideline will assume voting authority for participants in accordance with our proxy voting policies.

## **ITEM 18: FINANCIAL INFORMATION**

### **A. Balance Sheet**

Guideline is not required to include a balance sheet with this brochure because we neither require nor solicit prepayment of more than \$1,200 in fees per client.

### **B. Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments to Clients**

Neither Guideline nor our management have any financial conditions likely to reasonably impair Guideline's ability to meet contractual commitments to clients.

### C. Bankruptcy Petitions

Guideline has not been the subject of a bankruptcy petition at any time during the last ten years.