

# **ADV part 2A: Firm Brochure**

## **Security First Financial**

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This brochure provides information about the qualifications and business practices of Security First Financial. If you have any questions about the contents of this brochure, please contact us at: 810-655-2129, or by email at: [mherhold@comcast.net](mailto:mherhold@comcast.net). 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 Security First Financial is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

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## **Material Changes**

### **Annual Update**

The Material Changes section of this brochure will be updated annually when material changes occur since the previous release of the Firm Brochure.

### **Material Changes since the Last Update**

No material changes since last update.

### **Full Brochure Available**

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at 810-655-2129 or view at [MarkHerhold.com](http://MarkHerhold.com).

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## **Advisory Business**

### **Firm Description**

Security First Financial was founded in 1999. It provides personalized investment management to individuals, families, businesses and non profit organizations. The service includes establishing, managing and serving investment accounts.

Security First Financial is a fee-only investment management firm. It does not sell annuities or insurance. It does not have custody of client funds or assets. The firm is not affiliated with entities that sell financial products or securities. No commissions in any form are accepted. No finder's fees are given or are accepted.

The client has the responsibility to monitor their portfolio, ask for a portfolio review and inform Security First Financial if there are any material changes in their lives (i.e. births, deaths, job changes, financial changes, divorce, retirement, etc.). Security First Financial does not act as a custodian of client assets or funds. The client always maintains personal ownership and control of their accounts and assets. Security First Financial places trades for clients under a limited power of attorney and or limited access.

As part of Security First Financial management service, it is suggested that the clients schedule portfolio review meetings with Security First Financial to discuss their portfolio, the markets, the economy, interest rates and their cash flow needs.

Other professionals (e.g., lawyers, accountants, insurance agents, etc.) are engaged directly by the client on an as-needed basis. Security First Financial does not receive compensation in any form from other professionals. Conflicts of interest will be disclosed to the client in the unlikely event they should occur.

The initial meeting, in person, by phone or video chat, is free of charge and is considered an exploratory interview to determine the extent to which investment management may be beneficial to the client and advisor.

### **Principal Owners**

Mark and Eleanor Herhold are 100% owners of Security First Financial.

### **Types of Advisory Services**

Security First Financial provides investment management services.

On more than an occasional basis, Security First Financial may discuss matters relating to their investments, such as financial planning, estate planning and taxes as it relates to the clients overall investment / financial picture.

As of 01-02-2024, Security First Financial manages approximately \$238 million in assets for approximately 595 family units. Security First Financial manages investments on a discretionary basis.

### **Tailored Relationships**

Accounts are viewed on an individual basis. The economy, the markets and interest rates, are key concerns when managing accounts.

### **Types of Agreements**

The following agreements define the typical client relationships. The agreement may not be assigned without client consent.

### **Advisory Service Agreement**

Investing can be complicated and people are busy, thus clients choose to have Security First Financial manage their assets to help simplify their lives.

The scope of work and fee is provided in the Security First Financial fee agreement. The advisory fee is .6% annually, billed on a quarterly basis. There is no fee on assets above \$1.5 million of an aggregated client family accounts. Security First Financial may waive or reduce the management fees for family or friends. There is no minimum account size.

Although the fee agreement is an ongoing agreement and constant adjustments are required, the length of service to the client is at the client's and / or advisor's discretion. The client or the investment advisor may terminate an agreement by written, verbal or e-mail notice to the other party. At termination, fees will be billed on a pro-rated basis for the portion of the quarter completed as adjusted for the number of days during the billing quarter prior to termination.

### **Asset Management**

Assets are invested primarily in no-load mutual funds, ETF's and CD's. The economy, the markets and interest rates are important in developing and managing a portfolio. Discount brokerages may charge a transaction fee for the purchase of some investments.

Clients can request Security First Financial to manage their ESRP (employer sponsored retirement plans) i.e., 401K, 403B, 457, etc. They are required to provide a limited access or restricted use pins, thus enabling the firm to adjust and monitor retirement portfolio, without the concerns of custody. At no time will Security First Financial have custody of client funds and will not alter sensitive client data.

Stocks and bonds may be purchased or sold through a brokerage account. The brokerage firm charges a fee for stock and bond trades. Security First Financial does not receive any compensation, in any form, from fund companies or brokerage firms.

**Termination of Agreement**

A client may terminate any of the aforementioned agreements at anytime by notifying Security First Financial. Security First Financial may terminate any of the aforementioned agreements at anytime by notifying the client. All terminations made by either party, will be effective upon receipt of request.

At termination, fees will be billed on a pro-rated basis for the portion of the quarter completed as adjusted for the number of days during the billing quarter prior to termination.

**Fees and Compensation****Description**

Security First Financial bases its fees on a percentage of assets under management. The advisory fee is .6% annually. There is no fee on assets above \$1.5 million. Security First Financial may waive or reduce the management fees for family or friends. There is no minimum account size. Fees are not negotiable.

**Fee Billing**

Investment management fees are billed quarterly, in arrears. Invoiced amounts will appear on the clients statement from the custodian. Fees are deducted from a designated client account that to facilitate billing. The client accepts direct debiting of their investment account for Security First Financials management fee.

**Other Fees**

Custodians may charge transaction fees on purchases or sales of certain mutual funds, ETFs and securities. These transaction charges are usually small and incidental to the purchase or sale of a security. The selection of the security is more important than the nominal fee that the custodian charges to buy or sell the security.

**Expense Ratios**

Mutual funds and ETFs generally charge a management fee for their services as investment managers. The management fee is called an expense ratio. For example, an expense ratio of 0.50 means that the mutual fund company charges 0.5% for their services. These fees are in addition to the fees paid by you to Security First Financial.

Performance figures quoted by mutual funds and ETF's in various publications are after the fees have been deducted.

**Performance-Based Fees****Sharing of Capital Gains**

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

Security First Financial does not use a performance-based fee structure because of the potential conflict of interest.

Performance-based compensation may create an incentive for the adviser to recommend an investment that may carry a higher degree of risk to the client.

**Types of Clients****Description**

Security First Financial provides investment advice to individuals, families, businesses and non profits organizations.

**Account Minimums**

Security First Financial has no account minimums.

**Methods of Analysis, Investment Strategies and Risk of Loss****Methods of Analysis**

Security analysis methods may include charting, fundamental analysis, technical analysis, and cyclical analysis.

The main sources of information may include: financial media, financial publications and research materials through Morningstar.

The economy, the markets and interest rates are considered with managing client portfolios.

The client has the responsibility to oversee their portfolio to be appropriate. The client may suggest changes at any time.

**Risk of Loss**

All investment programs have certain risks that are borne by the investor. Our investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks:

- **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 not buy as much as 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.
- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

**Disciplinary Information****Legal and Disciplinary**

The firm and its employees have not been involved in legal or disciplinary events related to past or present investment clients.

**Other Financial Industry Activities and Affiliations****Financial Industry Activities**

Security First Financial is Registered Investment Advisory Firm.

**Affiliations**

Security First Financial does not have arrangements of compensation that are material to its advisory or its clients with a related person who is a broker-dealer, investment company, other investment advisor, financial planning firm, commodity pool operator, commodity trading adviser or futures commission merchant, banking or thrift institution, accounting firm, law firm, insurance company or agency, pension consultant, real estate broker or dealer, or an entity that creates or packages limited partnerships.

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

The employees of Security First Financial have committed to a Code of Ethics that is available for review by clients and prospective clients upon request. The firm will provide a copy of the Code of Ethics to any client or prospective client upon request.

**Participation or Interest in Client Transactions**

Security First Financial and their employees may buy or sell securities, mutual funds, ETF's and CD's that are also held by clients. Employees may invest in securities, mutual funds, ETF's and CD's ahead of client trades as employee trades are small amounts relative to the securities market and will not affect the securities markets.

**Personal Trading**

The Chief Compliance Officer of Security First Financial is Mark Herhold. He reviews all employee trades. Since most employee trades are small mutual fund, ETF and CD's trades, the trades do not affect the securities markets.

## **Brokerage Practices**

### **Selecting Brokerage Firms**

Security First Financial does not have any affiliation with product sales firms. Specific custodian recommendations are made to clients based on the clients need for such services. Security First Financial recommends custodians based on the proven integrity and financial responsibility of the firm and the best execution of orders at reasonable commission rates.

Security First Financial recommends discount brokerage firms and trust companies (qualified custodians), such as T. D. Ameritrade and Charles Schwab.

Security First Financial does not receive fees or commissions from any of these arrangements.

### **Best Execution**

Security First Financial reviews the execution of trades and fees, to be fair and within reasonable norms of the industry.

### **Soft Dollars**

Security First Financial receives no soft dollars and has no soft dollar agreements.

### **Order Aggregation**

Most trades are mutual funds or ETFs where trade aggregation does not garner any client benefit.

## **Review of Accounts**

### **Periodic Reviews**

All accounts are reviewed on going basis by Mark Herhold, Investment Advisor Representative at Security First Financial. Clients are encouraged to schedule a portfolio review to better understand their portfolio and financial situation.

### **Review Triggers**

Other conditions that may trigger a review are a material change in a mutual funds, ETFs and CD's relative performance, the markets, the economy, interest rates or material changes in the clients life.

### **Regular Reports**

Clients can contact Security First Financial to schedule to a portfolio review if they wish. It is the clients responsibility to contact the firm to request the review appointment. Reviews are held in person at the firm's office, by phone or video chat. The client is responsible for informing Security First Financial of material changes in their life (i.e. marriage, death, divorce, income changes, job changes, address changes, phone number or email changes, retirement, etc...)

## **Client Referrals and Other Compensation**

### **Incoming Referrals**

Security First Financial has been fortunate to receive many client referrals over the years. The referrals come from current clients, friends and other professionals. The firm does not compensate referring parties for these referrals.

### **Referrals Out**

Security First Financial does not accept referral fees or any form of remuneration from other professionals when a prospect or client is referred to them.

### **Other Compensation**

Security First Financial receives compensation only from clients fees.

## **Custody**

### **Account Statements**

Security First Financial does not have custody of client assets. Clients can request Security First Financial to manage their ESRP i.e., 401K, 403B, 457, etc. They are required to provided a limited access or restricted use pins, thus enabling the firm to only adjust and monitor their retirement portfolio, without the concerns of custody and will not alter sensitive client data.

All assets are held at qualified custodians, which means the custodian provides account statements directly to clients at their address of record at least quarterly.

### **Performance Reports**

Security First Financial may provide sum totals of gains / losses reported by custodians. Clients are urged to review their account statements received directly from their custodians. Clients are encouraged to schedule a portfolio review to discuss life changes, cash flow needs, the market, the economy and interest rates. Reviews are held in person at the firms office, by phone or by video chat.

## **Investment Discretion**

### **Discretionary Authority for Trading**

Security First Financial accepts discretionary authority to manage securities accounts on behalf of clients. Security First Financial has the authority to determine, without obtaining specific client consent, the securities to be bought or sold, and the amount of the securities to be bought or sold.

The client can reject the custodian to be used. Security First Financial does not receive any portion of the transaction fees or commissions paid by the client to the custodian on certain trades.

Discretionary trading authority facilitates placing trades in clients accounts to simplify the clients life.

### **Limited Power of Attorney**

A limited power of attorney is a trading authorization for this purpose of executing trades for the clients.

## **Voting Client Securities**

### **Proxy Votes**

Security First Financial does not vote proxies on securities, mutual funds or ETFs. Clients may receive their proxies directly from their custodian. Clients may contact Security First Financial with any questions.

## **Financial Information**

### **Financial Condition**

Security First Financial does not have any financial impairment that will preclude the firm from meeting contractual commitments to clients.

A balance sheet is not required to be provided because Security First Financial does not serve as a custodian for client funds or securities, and does not require prepayment of fees of more than \$500 per client, and six months or more in advance.

## **Business Continuity Plan**

### **General**

Security First Financial has a Business Continuity Plan in place to mitigate and recover from the loss of office space, communications, services or key people.

### **Disasters**

The Business Continuity Plan covers natural disasters such as snow storms, hurricanes, tornados, and flooding. The Plan covers man-made disasters such as loss of electrical power, loss of water pressure, fire, bomb threat, nuclear emergency, chemical event, biological event, internet communications line outage, internet outage, railway accident and aircraft accident. Electronic files are backed up and archived offsite.

### **Alternate Offices**

Alternate offices are identified to support ongoing operations in the event the main office is unavailable. It is our intention to contact all clients within five days of a disaster that dictates moving our office to an alternate location.

### **Loss of Key Personnel**

Security First Financial cross trains team members, so in the event that one or two members are unable or unwilling to perform their normal functions, the remaining team members could operate the firm with minimal, if any, disruptions.

## **Information Security Program**

### **Information Security**

Security First Financial maintains an information security process to reduce the risk that your personal and confidential information may be breached.

### **Privacy Notice**

Security First Financial is committed to maintaining the confidentiality, integrity and security of the personal information that is entrusted to us.

Nonpublic information is collected to open the necessary accounts and assist in investment & financial decision making.

With permission, limited information may be discussed with attorneys, accountants, and mortgage lenders on behalf of clients. Clients may opt out from our sharing information with these nonaffiliated third parties by notifying the firm by telephone,

mail, fax, email, or in person. With permission, limited information is provided to the brokerage firm in order to execute accounts and securities transactions on the clients behalf.

A secure office ensures that client information is not placed at unreasonable risk. Employed are firewall barriers, secure data encryption techniques and authentication procedures in the computer environment.

Personal information is not provided to mailing list vendors or solicitors. Federal and state securities regulators may review our company records and your personal records as permitted by law.

Personally identifiable information about the clients is maintained during the client-advisor relationship and for the required period thereafter as required by federal and state securities laws. After that time, information may be destroyed.

Client will be notified in advance of privacy policy is expected to change. Security First Financial offers this *Privacy Notice* to clients annually, in writing.

#### **Requirements for State-Registered Advisers**

Mark Herhold is graduated of Fenton High School and went on attend the University of Michigan and Michigan State.