

# AdvancedFinancialStrategies

INTEGRATED WEALTH PLANNING & MANAGEMENT



This Form ADV Part 2A (“Firm Brochure”) provides information about the qualifications and business practices of Advanced Financial Strategies Inc. (“AFS”). If you have any questions about the contents of this Firm Brochure, please contact us at 949-502-5333 or [Pierre@afsplanning.com](mailto:Pierre@afsplanning.com). The information in this Firm Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Additional information about AFS is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). References to our firm as a “registered investment adviser” or any reference to being “registered” does not imply a certain level of skill or training.



## **ITEM 2: Material Changes**

### **Changes Since the Last Update**

Since our last annual amendment filing on March 30, 2023, we have made the following material updates to our Firm Brochure:

- updated various sections of our Firm Brochure to reflect the change in custodian from TD Ameritrade to Schwab & Co.
- Updated our Assets Under Management as of December 31, 2023
- Made overall revisions to clarify the business practices of AFS

We will further provide you with a new brochure as necessary based on changes or new information when it is updated.

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## **ITEM 4: ADVISORY BUSINESS**

### **Type of Entity and Services Provided**

AFS is a California corporation formed on January 2, 1997. AFS is owned by Pierre Ngo. Founder/owner Pierre Ngo has been in the financial services practice since 1986. Pierre Ngo also serves as the President, Chief Executive Officer, and Chief Compliance Officer of AFS. He has committed to building and sustaining a client-centric advisory firm that values teamwork and collaboration.

We provide you the following investment advisory services: Financial Planning, Business Planning, Estate Planning/Administration, Asset Management, Risk Management/Insurance Services. We also provide other advisory services. Our clients include highly compensated executives, affluent business owners, as well as high net worth individuals and families, trusts and estates. Clients may engage personnel of ours, in their individual capacities as registered representatives and investment adviser representatives, or as independent insurance agents to implement our financial, business, estate planning and consulting services. AFS provides comprehensive financial planning and/or modular planning services as detailed below. Prior to rendering any of the foregoing advisory services, clients are required to sign an Advisory Agreement with AFS setting forth the relevant terms and conditions of the advisory relationship.

### **Assets Under Management & Assets Under Advisement**

As of December 31, 2023, AFS had a total of \$249,353,693 of assets under management and assets under advisement. This consists of \$228,691,564 of discretionary discretionary assets under management, \$856,984 of non-discretionary assets under management, and \$19,805,145 of non-discretionary assets under advisement.

### **Comprehensive Financial Planning**

Financial planning is the process of determining whether and how an individual can meet life goals through the proper management of financial resources. This is an ongoing process to help you make sensible decisions about money that can help you achieve your financial goals and objectives in life. We provide a comprehensive evaluation of your current course of action and potential future outcome by using currently known variables to predict future cash flows, asset values and withdrawal plans. Throughout the financial planning process, all questions, information (both quantitative/qualitative), and analysis are considered as they will likely impact the financial and state of affairs in one's life. Clients may choose to engage AFS to provide comprehensive financial planning service or a modular stand-alone in-depth analysis on one or more financial planning subject areas. Clients choosing this service will either receive a detailed written comprehensive financial plan or a summary with recommendations, designed to assist our client in achieving their financial goals and objectives. We encourage clients that engage AFS for only comprehensive financial planning services or modular stand-alone in-depth analysis, **to coordinate and initiate the periodic review. AFS recommends clients review their financial plan and any associated recommendations on an at least an annual basis and anytime the client anticipates or has experienced changes in their financial circumstance.**

The process of creating a financial plan usually involves, but is not limited to the following:

- Listening to what you want to achieve and deciphering the nuances of what drives your goals and objectives.
- Defining the scope of our engagement
- Collaborating with you to refine your life vision, set realistic quantifiable financial and personal goals.





- Gathering, analyzing, and evaluating data on your current course of action, circumstances and your complete financial profile.
- Collaborating with your tax, legal and other professional counsel to develop a customized comprehensive plan to meet your goals by addressing financial weaknesses and building on financial strengths.
- Providing you with specific recommendations, as well as resources to help you understand the effect of each financial decision. We stress test the viability of each recommendation, discuss the pros and cons of each decision you make and how it can impact other areas of your life, so you will be better prepared to meet life's changes and handle emergencies. We strive to give you a full understanding so you can make thoughtful and prudent decisions.
- Working with you to prioritize the recommendations and agree upon a time frame goal to implement the action plan. Our comprehensive approach will facilitate the implementation process to execute the plan fully.
- Collaborating with you in determining the responsibility of the appropriate parties to implement and monitor the progress of the plan.
- Meeting periodically to review, measure, reflect, and refine the plan in order to be successful after the foundation is built. It is important that you make us aware of any material changes in your personal circumstances, so that we can give you prudent advice based upon current tax laws and economic conditions throughout the different stages of your life.

As the client's needs dictate, AFS's Comprehensive Financial Planning service may include Cash Flow Management Analysis, in which AFS reviews the client's income and expenses with the objective of meeting the client's goals, which may involve adjusting, changing priorities, or establishing a new monthly budget.

AFS's Comprehensive Financial Planning service may include Education Planning, in which AFS analyzes the expected financial requirements needed for the future cost of education, establishes a plan to pay those expenses, and weighs the pros and cons of various feasible savings vehicles.

AFS's Comprehensive Financial Planning service may also include Retirement Planning in which we assess your retirement income needs, consider any charitable giving, and develop a plan to meet those needs. This process involves:

- Estimating future needs in today's dollars;
- Calculating that amount in future dollars based on inflation rate assumption;
- Estimating your expected income from social security, employee retirement plan and other sources;
- Calculating the additional amount needed to provide you with adequate income for the future;
- Implementing tax minimization strategies;
- Analyzing the alternatives and tax implications of various retirement plans and their funding vehicles and/or distributions at retirement age; and
- Recommending appropriate investment vehicles to meet your goals.



AFS's Comprehensive Financial Planning services may include Real Estate Planning, in which AFS collaborates with you and your other advisors in analyzing economic and tax reasons for buying, selling, or financing property in which you have an interest.

During the financial planning process, we gather required information through in-depth personal interviews. Information gathered includes details about your current financial status, your short-term and long-term goals and objectives, your retirement goals and ambitions, and your attitude towards risk of loss in your investments. We also evaluate your anticipated liquidity needs at death, your income source in the event of your disability, and the income needs of your surviving dependents. We may review your family records, budget, personal liabilities, and income tax records. We then either prepare a detailed written comprehensive financial plan or a summary with recommendations.

It is entirely up to you to decide whether to implement some, or all of the proposed financial planning recommendations. If you so desire, however, we can implement those advisory recommendations for a separate customary and reasonable compensation. Pierre Ngo will assist you acting in his separate capacity as a registered representative of Capital Synergy Partners, Inc. AFS, doing business as Advanced Financial Strategies & Insurance Services, will assist you with insurance matters. Should you choose to implement the recommendations contained in the plan, we can also provide advice on non-securities matters. Generally, we do this in connection with rendering estate planning, estate administration, business planning, and insurance services. However, any utilization of these individuals, in their separate capacity as registered representatives and/or as independent insurance agents, is completely at your discretion.

#### **Estate Planning & Administration**

For clients seeking estate planning and administration services, we assist by helping clients identify assets that might be included in your estate and analyze the control, disposition, and taxation of those assets. We then propose changes for review with your attorney and/ or tax counsel to strive to accomplish the following:

- Understand the current estate overview and identify assets in your estate.
- Develop a strategy, then structure and ultimately implement, an effective method of disposition of your estate that will meet your objectives, core values and principles.
- Minimize the impact of income, estate, and gift taxes.
- Ensure that the estate will have sufficient liquidity to pay taxes.
- Minimize the emotional and financial burden of the client's beneficiary.
- Reevaluate and update the plan as changes in tax laws and life events occur.
- Postmortem Estate Administration.

#### **Risk Management and Insurance Services**

AFS helps analyze your financial exposure relative to mortality, disability, or long-term care requirements. We assess your insurance needs, review and analyze existing coverage to determine its structure and sufficiency, and summarize costs and benefits based on your current financial circumstances, goals, and objectives. Based on our findings, we will explore what actions and plans to put into place, if appropriate, to provide a superior level of protection that is consistent with your current goals.

As outlined in Item 10 of this Firm Brochure, AFS and Mr. Ngo are licensed insurance agents through CPS Insurance Services, Inc, as well as other independent brokerage agencies. As such, AFS and Mr. Ngo receive commissions as a result of insurance sales, specifically for the sale of individual life, disability, annuity, and long-term care insurance. AFS therefore has an incentive to recommend insurance products based on the compensation earned. To mitigate this conflict, AFS will only recommend insurance products when determined to be in the client's best interest.

A black umbrella is positioned over a stack of six red blocks. The blocks are arranged in a single column and feature white letters: the top block has 'R', the second has 'I', the third has 'S', and the bottom three blocks each have 'K'. The entire assembly is reflected on the white surface below.

**An insurance policy is a legal contract between the insurance company (the insurer) and the person(s), business, or entity being insured (the insured). Reading your policy helps you verify that the policy meets your needs and that you understand your and the insurance company's responsibilities if a loss occurs. Many insureds purchase a policy without understanding what is covered, the exclusions that take away coverage, and the conditions that must be met in order for coverage to apply when a loss occurs. It is important to understand what coverage you have in your policy(ies). We highly recommend that you review and understand your insurance coverage, its exclusion, and conditions of the policy(ies).**

We do not provide legal advice. You should consult a qualified attorney for any legal questions or preparation, or modification, of any legal documents. We do not guarantee any particular outcome or any planning result that can be achieved in the future as those may be impacted by factors over which we have no control.

AFS offers business and employee benefit planning which includes assisting a client to determine the best choice of entity type and business structure best suited for your current or future business, assessing your current and possible future business needs in conjunction with your attorneys and tax advisors (e.g., buy-sell agreements, employment agreements, deferred compensation arrangements, etc.), examining your employee benefit needs (e.g., company group health, life, and long-term care and disability insurance, 401(k) and retirement plans, employee stock option plans, etc.) and evaluating the possible tax consequences and economic impact of the foregoing on your business/employee benefits.

### **AFS Asset Management Services**

Our asset management service begins with an analysis of your goals, risk tolerance, investment experience, and net worth in order to better direct the investment of your assets and meet your financial goals. In providing investment management, we consider your existing assets and liabilities, the anticipated time horizon, risk profile, diversification of your existing portfolio, anticipated liquidity needs, and objectives. We place asset allocation at the core of our investment process. Our framework for investment extends beyond traditional asset classes of equities, fixed income, and cash equivalents. We also consider real asset and alternative investments as an important asset class in a well-diversified portfolio that can benefit our clients.

Clients may request restrictions or mandates on the management of their accounts. AFS will determine, in its sole discretion, whether those conditions would materially impact the performance of a management strategy or prove overly burdensome to AFS's management efforts. AFS educates clients on market trends, economic forces, and investment fundamentals to cultivate a better understanding of investment decisions. However, if we are not able to honor the request due to the nature of the investments or because the restriction prevents us from properly servicing the client's account, we will notify the client accordingly and the client or AFS have the right to terminate the relationship.

AFS utilizes long-term, strategic asset allocation to assist you in meeting your investment objectives. We then make intermediate and short-term, tactical changes to different classes of assets as macro-economic and market conditions dictate. In your investment management agreement with us, you give us the discretion to determine the investments to buy and sell on your behalf and the authority to select independent investment managers. This means we will make the ultimate decision regarding the investments purchased and sold in your account. You will complete an Investor Risk Profile Questionnaire to determine which of the following five investment profiles are appropriate for you: (1) Aggressive Growth, (2) Growth, (3) Moderate Growth, (4) Conservative Growth, and (5) Emphasis on Income. Each investment profile defines a different time horizon, return goal, and risk tolerance. In turn, your investment profile is primarily used to dictate the portfolio structure. Each of the foregoing investment profiles are described within the Risk Profile Questionnaire. Additionally, we may also customize your investment strategy and profile to achieve your specific needs and desires. Your investment account(s) will then be managed in accordance with the asset allocation investment strategy, investment profile(s), and your specific goals.

Strategic asset allocation consists of diversifying your portfolio among various asset classes, specifically including, but not limited to stocks, bonds, mutual funds (open-end, close-end, and interval funds), alternative mutual fund vehicles, as well as exchange traded funds (ETFs), CDs, and money market instruments. It is possible that a client's investments may include other types of investments or securities as the Firm deems appropriate for the client. This may include alternative funds that take long/short positions or invest in real estate, currencies, derivatives, arbitrage strategies, global macro, hedge funds, options and other instruments or strategies. Funds in this group may attempt to move in the opposite direction of the market or may have performance that is not correlated with the broad markets. For some Accredited Investors, AFS may recommend that clients invest in private placement securities, which may include debt, equity, and/or pooled investment vehicles (e.g., Delaware Statutory Trusts (DST)), when consistent with the client's overall objective.

AFS is dedicated to understanding and meeting our client's needs. We monitor the investment assets we manage on a continuous basis and review managed accounts at least quarterly. We rebalance the portfolio on an "as-needed" basis and not on any periodic schedule. As macroeconomics and market environment change, we tactically allocate the amount invested in various asset classes in response to the changing market environments within the strategic framework. This is done according to your risk profile as well as your goals and objectives.



We also periodically provide assets under advisement for certain clients on a non-discretionary basis (you make the ultimate decision regarding the investment purchase and sale) for held-away accounts, including but not limited to 401k plans, 403b plans, 529 plans, deferred compensation, stock option accounts, etc.

### **Envestnet/Selection of Independent Investment Managers**

In addition to AFS's direct asset management services, AFS will also utilize Envestnet Asset Management, Inc. ("Envestnet") to select certain independent managers to actively manage a portion of its clients' assets. The specific terms and conditions under which a client engages an independent manager will be set forth in a separate written agreement with the designated independent manager. In addition to this brochure, AFS will provide clients a copy of Envestnet's Disclosure Brochure and other independent investment manager disclosure documents prior to or concurrently with any investment through the Envestnet program.

Envestnet utilizes the brokerage, execution, and custody services of Schwab. By participating in this program, Envestnet provides our clients with access to institutional independent investment managers and their expertise. These managers (using their own proprietary methodologies) invest in a wide range of asset classes and use multiple investment strategies.

AFS evaluates a variety of information about independent managers, which includes the independent managers' public disclosure documents, materials supplied by the independent managers themselves and other third-party materials AFS believes are reputable. To the extent possible, AFS seeks to assess the independent managers' investment strategies, past performance, and risk results in relation to its client's individual portfolio allocations and risk exposure. We also take into consideration, along with other related factors, each independent manager's underlying holdings, concentrations and leverages used by any manager in which our client's assets are invested as part of our overall risk assessment. We monitor the performance of those accounts being managed by independent managers on a periodic basis to ensure the independent managers' strategies and target allocations remain aligned with the client's investment objectives and overall best interests. However, we do not control the independent manager's daily business operations or internal controls.

### **IRA Rollover Considerations**

AFS may recommend, as part of AFS advisory services, that you withdraw the assets from your former employer's retirement plan and roll the assets over to an individual retirement account ("IRA"), which we will manage on your behalf. Before you consider rolling over the assets to an IRA, assuming the following options are available, you should understand the tradeoffs associated with: (1) leaving the assets in your former employer's retirement plan, (2) rolling over your assets to a new employer's retirement plan, (3) cashing out your employer's plan and receiving an after-tax distribution, and (4) rolling over your assets into an IRA.

Each option has its various benefits and drawbacks, depending on factors like investment options, services, fees, withdrawal choices, required minimum distributions, tax consequences, and the investor's unique financial needs and retirement goals. As fiduciaries, we must evaluate these aspects, disclose potential conflicts, and work with you to create a strategy aligned with your best interests.

As your financial advisor, we have a fiduciary obligation when suggesting a rollover or transfer of assets from an employer-sponsored retirement plan to an Individual Retirement Account (IRA) under our management.

Consequently, a recommendation to transfer plan assets to an IRA, rather than retaining them in a former employer's plan or transferring them to a new employer's plan, must take into account various factors. The significance of these factors depends on the client's individual needs and circumstances. Some of the factors include:

- **Investment Options:** An IRA serves as an alternative to maintaining your retirement funds within your employer's plan. An IRA often provides access to a wider array of investment opportunities compared to a plan. The significance of this factor may partly depend on your satisfaction with the available options in the plan being considered.
- **Services:** It may be beneficial to evaluate the varying service levels offered by each option, including the provision of investment advice, financial planning, and related services.
- **Fees and Expenses:** Both plans and IRAs typically involve (i) investment-related expenses and (ii) plan or account fees. Some employers may cover part or all of the plan's administrative expenses, while IRA custodians might not charge or may waive such expenses. Investment-related expenses can include sales loads, commissions, mutual fund expenses, and investment advisory fees.
- **Penalty-Free Withdrawals:** If you depart from your job between the ages of 55 and 59½, you might be able to make penalty-free withdrawals from a plan. Conversely, penalty-free withdrawals from an IRA are generally not permitted until the age of 59½, with a few exceptions. Borrowing from a plan may also be an option.
- **Creditor and Legal Judgment Protection:** In general, plan assets receive unlimited protection from creditors under federal law, while IRA assets are safeguarded only in bankruptcy proceedings. State laws differ in terms of IRA asset protection in lawsuits.
- **Required Minimum Distributions:** Upon reaching the age of 73, both plans and IRAs mandate the periodic withdrawal of specific minimum amounts, referred to as required minimum distributions. However, if you continue working past the age of 73, you are generally not obligated to make required minimum distributions from your current employer's plan. This can be advantageous if you intend to work into your 70s.
- **Employer Stock:** If you possess significantly appreciated employer stock in a plan, it is essential to consider the adverse tax consequences of transferring the stock to an IRA. If employer stock is moved in-kind to an IRA, stock appreciation may be taxed as ordinary income upon distribution. Balancing the tax advantages of retaining employer stock in a non-qualified account with the potential risk of being overly concentrated in employer stock is crucial. Holding excessive employer stock in one's retirement account can be risky; for some investors, liquidating the holdings and transferring the value to an IRA may be advisable, despite losing long-term capital gains treatment on the stock's appreciation.
- **Conflicts of Interest:** A recommendation to transfer plan assets to an IRA within a managed account inherently involves a conflict of interest, as we will earn a management fee for overseeing the assets. In contrast, suggesting that you keep your plan assets with your previous employer or transfer them to a new employer's plan likely results in minimal or no compensation for us. This conflict must be disclosed to you, and your evaluation of the conflict is one of the factors to be considered.

It's important to discern the differences between these types of accounts, services offered, and the total compensation received by AFS. This is not a complete list of all the benefits and drawbacks associated with rolling over your assets into an IRA, and therefore should not be solely relied on for decision making purposes.

### **Qualified Plan Consulting Services for Business Entities**

AFS provides qualified plan consulting services to business entities with their qualified retirement plans as a 3(21) fiduciary. As part of this advisory service, AFS typically provides the following consulting to plan sponsor/trustee(s) (although some plan clients may select only a few of these options):

- Consult with the plan sponsor/trustee(s) to understand the goals and objectives for the plan.
- Research and provide recommendations of service providers to the plan sponsor/trustee(s) for selection to set up a qualified plan.

- Consult with the plan sponsor/trustee(s) in designing the plan with a third-party administrator (“TPA”).
- Consult with the plan sponsor/trustee(s) offering solutions to the investments menu, including delegation of responsibilities among service providers.
- Consult with the plan sponsor/trustee(s) on providing enrollment meetings, education materials, services and seminars for plan participants.
- Consult with the plan sponsor/trustee(s) in meeting the participants needs and suggest recommendations for changes when necessary.

## **ITEM 5: FEES AND COMPENSATION**

### **Comprehensive and Modular Financial Planning, Business Planning, Estate Planning**

1. We will charge you for all Comprehensive and Modular Financial Planning, Business and Estate Planning services at the following rates:

- \$400.00 per hour for all work performed by Pierre Ngo
- \$200.00 per hour for all work performed by a Certified Financial Planner
- \$100.00 per hour for all work performed by Registered Paraplanners
- \$65.00 per hour for all work performed by Administrative Staff

2. We will provide you with an estimated total cost anticipated to complete the project depending on the nature and complexity of each client’s circumstances. All outstanding fees shall be due and payable within thirty (30) days from the date when we present the plan to you. If you do not pay all fees billed within such thirty (30) days, a late fee of 1% per month (or the maximum legal rate, whichever is less) will be added to your statement on the unpaid balance. Either party may terminate the advisory and/or investment management agreement at any time by providing written notice to the other party. However, you will remain liable for all services rendered through the effective date of the termination.

The AFS asset management fee shall be computed in accordance with the following schedule: Fee Schedule for Aggressive Growth, Growth, and Moderate Growth Portfolios:



Account Size	Annual Fee	Quarterly Fee
First \$250,000	1.000%	0.250%
Next \$250,000	0.875%	0.219%
Next \$500,000	0.750%	0.188%
Next \$1,000,000	0.625%	0.156%
Amount over \$2,000,000	0.500%	0.125%

Applicable to the following Portfolio: Conservative Growth

Account Size	Annual Fee	Quarterly Fee
First \$250,000	0.625%	0.156%
Next \$250,000	0.500%	0.125%
Amount over \$500,000	0.375%	0.094%

Applicable to the following Portfolio: Emphasis on Income

Account Size	Annual Fee	Quarterly Fee
First \$500,000	0.375%	0.094%
Amount over \$500,000	0.250%	0.0625%





As provided in the advisory agreement that you sign with AFS, AFS deducts its advisory fees from your custodial account. Management fees, which are payable quarterly in arrears, are calculated as a percentage of each account(s). This fee will be based upon the total value of each account(s) under management, computed as of the last business day of the calendar quarter. Valuations are provided to AFS from the underlying custodian by direct download from the custodian and/or client statements. We will usually deduct those fees from your account(s) in the first week after the preceding billable quarter.

The fees we charge are not calculated on the basis of a share of the capital gains upon, or the capital appreciation of, the funds, or any portion of the funds, of an advisory client (SEC Rule 205(a)(1)). We will not make any pro rata adjustments for additions or withdrawals during the quarter, but we will prorate the fees if the entire account is opened in the middle of the quarter. Our advisory fees may be adjusted by mutual agreement. With client authorization, we will typically withdraw our management fee automatically from the client's account each quarter upon instruction to the client's independent custodian. As part of the billing process, the client's custodian is advised of the amount of the fee to be deducted from that client's account. On at least a quarterly basis, the custodian is required to send to the client a statement showing all transactions within the account including the management fee deducted during the reporting period. **Because the custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodian statements to verify the accuracy of the calculation among other things. Clients should contact us directly if they believe there may be an error in their statement. It is ultimately the independent custodian that is responsible for the safe keeping and reporting of all transactions within the client's account during the reporting period.**

#### **Qualified Plan Consulting Fees**

AFS typically receives a service fee of up to 0.50% of the plan asset for its qualified plan consulting services. The fee agreed upon between the client and AFS and the formula for determining the amount of asset base service fee and the manner of payment are disclosed in the selected custodian's Plan Services Agreement.

For a select number of qualified plan clients, AFS also provides a separate service whereby it assists the plan sponsor/trustee(s) in the collection of year-end reporting data and provides such data to the plan's third-party administrator ("TPA") to enable the TPA to file certain required tax documents on behalf of the plan.

If a client has opted to utilize AFS to assist in the collection of year-end data for the plans TPA, AFS charges an hourly fee ranging from \$65/hour to \$400/hour, depending on the AFS individual performing the work.

Such fees are due and payable upon completion of the service.





### **Client's Responsibility of Third-Party Fees**

Clients may incur certain charges imposed by custodians, brokers, independent investment managers, and other third parties.

Schwab or other custodians may have transaction fees on the purchase and sale of stocks, bonds and certain mutual funds or exchange traded funds ("ETFs"). Also, Schwab, other custodians, and some mutual funds, impose a short-term redemption fee based upon their specified holding period. Redemption fees typically operate only in short, specific time periods, commonly 30, 180, or 365 days. Charges are not imposed after the stated time has passed. These fees are typically imposed to discourage market-timers, whose quick movements into and out of funds can be disruptive. The charge is normally imposed on the ending share value, appreciated or depreciated from the original value.

Other charges may be imposed by custodians, brokers, and other third parties, such as custodial fees, deferred charges, odd-lot differentials, transfer taxes, wire transfer, individual retirement account fees, qualified retirement account fees, electronic fund fees, taxes on brokerage accounts, and securities transactions.

Mutual fund and exchange traded funds (ETFs) also charge internal management fees, such fees are therefore indirectly charged to all holders of mutual fund shares which are disclosed in a fund's prospectus. Clients with mutual funds and ETFs in their portfolios are effectively paying both the advisor and their mutual fund manager for the management of their assets. Certain mutual funds, in which clients may invest, distribute payments to broker-dealers or custodians. Such payments may be distributed pursuant to 12b-1 distribution plan, or other such plan, as compensation for administrative services and are distributed from the fund's total assets.

These charges and fees are separate and distinct from the AFS advisory/management fees. Please refer to the Schwab, other custodians/third parties fee schedule, and the fund's prospectus for a more complete description. You should review all of the information to fully understand the total amount of fees which you will pay and to evaluate the nature and cost of the advisory services being provided.

### **Account Additions and Withdrawals**

Clients may make additions to and withdrawals from their account at any time, subject to AFS's right to terminate an account. Additions may be in cash or securities, provided that AFS reserves the right to liquidate any transferred securities, or decline to accept particular securities into a client's account. Clients may withdraw account assets on reasonable notice to AFS, subject to the usual and customary securities settlement procedures. However, AFS designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives. AFS may consult with its clients about the options and implications of transferring securities. Clients are advised that when transferred securities are liquidated, they may be subject to transaction fees, fees assessed at the mutual fund level (e.g. short-term redemption fee(s)) and/or tax ramifications.

The more assets there are in your account, the more compensation we will receive. This means our incentive is to increase the assets we manage, either through appreciation and income by our management or additional deposit of funds from you for us to manage. This arrangement could influence our decisions to recommend that you place additional assets under our management.

### **Termination of Services**

Either party may terminate the advisory and/or investment management agreement at any time by providing written notice to the other party. However, you will remain liable for all services rendered through the effective date of termination.

AFS will not be responsible for further advice, investment allocations, or transactional services upon the termination of the advisory and/or investment management agreement. Upon termination, it will also be necessary that we inform the custodian of record that the relationship between the firm and the client has been terminated.

We will return any prepaid, unearned advisory fees within 30 days of our receipt of a termination notice. This will only be provided via check from a US-based financial institution; no credits or “transaction reversals” will be issued to an account.

### **ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

We do not charge any performance-based fee (separate fees charged on a share of capital gains in addition to asset-based fees) on accounts “side-by-side” with asset-based fee accounts.

### **ITEM 7: TYPES OF CLIENTS**

AFS provides advisory and asset management services

to a variety of clients. Our clients include highly compensated executives, affluent business owners, as well as high net worth individuals and families, trusts, estates, and qualifying retirement plans. We generally seek to work with clients having the initial minimum account size of \$500,000. We may, however, make exceptions to the minimum account size on a case-by-case basis.

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

#### **Methods of Analysis**

AFS uses the following method of analysis when formulating investment advice:

**Macroeconomic Analysis** – We employ macroeconomic analysis to help formulate investment strategies and recommendations. Macroeconomics is a branch of the economics field that studies how the aggregate economy behaves. In macroeconomics, a variety of economy-wide phenomena is thoroughly examined such as, inflation, price levels, rate of growth, national income, gross domestic product and changes in unemployment. It focuses on trends in the economy and how the economy moves as a whole. Macroeconomics differs from microeconomics, which focuses on smaller factors that affect choices made by individuals and companies. Factors studied in both microeconomics and macroeconomics typically have an influence on one another. A risk of using macroeconomics analysis is data and information may be too broad and we may overlook specific issues. To help control for this risk, we use additional methods of analysis to help focus our investment recommendations.

**Cyclical Analysis** – This method analyzes the investments sensitive to business cycles and whose performance is strongly tied to the overall economy. For example, cyclical companies tend to make products or provide services that are in lower demand during downturns in the economy and in higher demand during upswings. Examples include the automobile, steel, and housing industries. The stock price of a cyclical company will often rise just before an economic upturn begins and fall just before a downturn begins. Investors in cyclical stocks try to make the largest gains by buying the stock at the bottom of a business cycle, just before a turnaround begins.

While most economists and investors agree that there are cycles in the economy that need to be respected, the duration of such cycles is generally unknown. An investment decision to buy at the bottom of a business

cycle may actually turn out to be a trade that occurs before or after the bottom of the cycle. If done before the bottom, then downside price action can result prior to any gains. If done after the bottom, then some upside price action may be missed. Similarly, a sell decision meant to occur at the top of a cycle may result in missed opportunity or unrealized losses.

**Fundamental Analysis** – This is a method of evaluating a security by attempting to measure its intrinsic value by examining related economic, financial, and other qualitative and quantitative factors. Fundamental analysts attempt to study everything that can affect the security's value, including macroeconomic factors (like the overall economy and industry conditions) and individually specific factors (like the financial condition and management of a company). The end goal of performing fundamental analysis is to produce a value that an investor can compare with the security's current price in hopes of figuring out what sort of position to take with that security (underpriced = buy, overpriced = sell or short). Fundamental analysis is considered to be the opposite of technical analysis. Fundamental analysis is about using real data to evaluate a security's value. Although most analysts use fundamental analysis to value stocks, this method of valuation can be used for just about any type of security.



The risk associated with fundamental analysis is that it is somewhat subjective. While a quantitative approach is possible, fundamental analysis usually entails a qualitative assessment of how market forces interact with one another in their impact on the investment in question. It is possible for those market forces to point in different directions, thus necessitating an interpretation of which forces will be dominant. This interpretation may be wrong and could therefore lead to an unfavorable investment decision.

**Technical Analysis** – This is a method of evaluating securities by analyzing statistics generated by market activity, such as past prices and volume. Technical analysts do not attempt to measure a security's intrinsic value, but instead use charts and other tools to identify patterns that can suggest future activity. Technical analysts believe that the historical performance of stocks and markets are indications of future performance.

Technical analysis is even more subjective than fundamental analysis in that it relies on proper interpretation of a given security's price and trading volume data. A decision might be made based on a historical move in a certain direction that was accompanied by heavy volume; however, that heavy volume may only be heavy relative to past volume for the security in question, but not compared to the future trading volume. Therefore, there is the risk of a trading decision being made incorrectly since future trading volume is an unknown. Technical analysis is also done through observation of various market sentiment readings, many of which are quantitative. Market sentiment gauges the relative degree of bullishness and bearishness in a given security, and a contrarian investor utilizes such sentiment advantageously. When most traders are bullish, then there are very few traders left in a position to buy the security in question, so it becomes advantageous to sell it ahead of the crowd. When most traders are bearish, then there are very few traders left in a position to sell the security in question, so it becomes advantageous to buy it ahead of the crowd. The risk in utilization of such sentiment technical measures is that a very bullish reading can always become more bullish, resulting in lost opportunity if the money manager chooses to act upon the bullish signal by selling out of a position. The reverse is also true in that a bearish reading of sentiment can always become more bearish, which may result in a premature purchase of a security.

**Modern Portfolio Theory** – MPT is a mathematical-based investment discipline that seeks to quantify expected portfolio returns in relation to corresponding portfolio risk. The basic premise of MPT is that the risk of a particular holding is to be assessed by comparing its price variations against those of the market portfolio. However, MPT disregards certain investment considerations and is based on a series of assumptions that may not necessarily reflect actual market conditions. As such, the factors for which MPT does not account (e.g., tax implications, regulatory constraints, and brokerage costs) may negate the upside, or add to the actual risk of a particular allocation. Nonetheless, AFS's investment process is structured in such a way to integrate those assumptions and real-life considerations for which MPT analytics do not account.

### **Investment Strategies**

Based on its methods of analysis outlined above, AFS customizes investment recommendations to each client's specific situation and risk tolerance, constructing custom allocation portfolios that seek to achieve the specific return goals of each client. To achieve this, AFS combines multiple asset classes in varying proportions to create a diversified portfolio intended to achieve a desired rate of return with the least possible amount of risk for that level of return.

The Firm's investment management strategies strike a delicate balance among three primary ingredients: the science of managing risk and return (i.e., Modern Portfolio Theory), the art associated with experience and insight, and the reality of managing emotions, such as greed and fear. Nowhere is this balance more evident than in the process of designing and executing an investment strategy—whether it is in the steps taken to create an asset allocation, the process for selecting investments, or the considerations for tax-efficient and cost-effective rebalancing.

AFS combines passive management with active strategies. Passive strategies offer the opportunity to deliver exposure to the capital markets at a low cost. Active strategies offer the potential to tap into flexible independent managers with the goal of achieving higher risk-adjusted returns than those generally experienced with a passive representation in the markets. AFS then constructs diversified portfolios specifically tailored towards each client's goals by utilizing strategic asset allocation, along with tactical shifts between different asset classes as market condition change.

**Legacy Holdings.** Investment advice may be offered on any investments held by a client at the start of the advisory relationship. In general, depending on tax considerations and client sentiment, these investments may be sold over time and the assets invested in the appropriate AFS investment strategy. As with any investment decision, there is the risk that AFS's timing – with respect to the sale and reinvestment of these assets – will be less than ideal, or even result in a short-term or long-term loss to the client.

**Risks for all forms of analysis.** Our securities analysis methods rely on the assumption that the funds or companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

Understanding the risks involved with investing and your own tolerance for risk is the key to helping us best meet your investing needs. All investment programs have certain risks that are borne by the investor. Our investment approach constantly keeps the risk of loss in mind.

**Different types of investments and analysis involve varying degrees of risk and there can be no guarantee that any investment will achieve its objective, generate a positive return, or avoid losses.**

While the goal is to achieve your investment profile objective, AFS may, at its discretion, utilize mutual funds and Exchange Traded Funds (ETFs), which move inversely to the market, as part of a hedging strategy, either to reduce volatility in a down market, or to have an inverse position in an attempt to profit in a



down market. Inverse mutual funds and ETFs seek to provide the opposite of the performance of the index or benchmark they track. As with any investment strategy, there is a risk in hedging or having an inverse position. This is because if the market increases, the portfolio using this strategy may stay neutral or even suffer a loss, instead of making a profit.

**Changes in your financial situation, family circumstances, goals, or investment objectives might cause us to review, reevaluate, or revise our previous recommendations and/or the services we provide to you. Fluctuations in the value of your assets are normal. Even extreme fluctuations are not uncommon. Therefore, we cannot determine whether any adjustment is needed unless and until you notify us of a material change in your circumstances. You are solely responsible for promptly notifying us of such changes.**

### **Risk of Loss**

**INVESTING IN SECURITIES INVOLVES INHERENT RISKS OF LOSS, WHICH YOU SHOULD BE PREPARED TO BEAR.**

**Stock Market Risk** is the chance that stock prices overall will decline. The market value of equity securities will generally fluctuate with market conditions. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices. Prices of equity securities tend to fluctuate over the short term as a result of factors affecting the individual companies, industries or the securities market as a whole. Equity securities generally have greater price volatility than fixed income securities.

**Foreign (non-U.S.) Investment Risk** is the risk that investing in foreign securities may result in the portfolio experiencing more rapid and extreme changes in value than a portfolio that invests exclusively in securities of U.S. companies. Investments in emerging markets are generally more volatile than investments in developed foreign markets.

**Currency Risk** is the risk that overseas investments fluctuate in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.

**Asset Class Risk** is the risk that securities in your portfolio(s) or in underlining investments, such as mutual funds and Exchange Traded Fund (ETF), could potentially underperform in comparison to general securities markets or other asset classes.

**Reinvestment Risk** 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.

**Interest Rate Risk** is the chance that prices of fixed income securities will decline because of rising interest rates. Similarly, the income from fixed income securities may decline because of falling interest rates.





**Credit Risk** is the chance that an issuer of a fixed income security will fail to pay interest and principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of that fixed income security to decline.

**Political Risk** is the risk that an investment's returns could suffer as a result of political changes or instability in a country. Instability affecting investment returns could stem from a change in government, legislative bodies, other foreign policy makers, or military control. Political risk is also known as "geopolitical risk."

**Inflation Risk** is the uncertainty over the future real value (after inflation) of your investment.

**Liquidity Risk** is the risk stemming from the lack of marketability of an investment that cannot be bought or sold quickly enough to prevent or minimize a loss. Liquidity risk is typically reflected in unusually wide bid-ask spreads or large price movements (especially to the downside). The rule of thumb is that the smaller the size of the security, or its issuer, the larger the liquidity risk.

**Exchange Traded Fund (ETF) Risk** is the risk of an investment in an ETF, including the possible loss of principal. ETFs typically trade on a securities exchange and the prices of their shares fluctuate throughout the day based on supply and demand, which may not correlate to their net asset values. Although ETF shares will be listed on an exchange, there can be no guarantee that an active trading market will develop or continue. Owning an ETF generally reflects the risks of owning the underlying securities it is designed to track. ETFs are also subject to secondary market trading risks. In addition, an ETF may not replicate exactly the performance of the index it seeks to track for several reasons, including transaction costs incurred by the ETF, the temporary unavailability of certain securities in the secondary market, or discrepancies between the ETF and the index with respect to weighting of securities or number of securities held.

**Inverse Exchange Traded Funds** are ETF traded on a public stock market, which is designed to perform as the inverse of whatever index or benchmark it is designed to track. These funds work by using short selling, trading derivatives such as futures contracts, and other leveraged investment techniques. Investing in inverse ETFs is similar to holding various short positions or using a combination of advanced investment strategies to profit from falling prices. Inverse ETFs are typically not used as long-term investments. Many inverse ETFs utilize daily futures contracts to produce their returns, and this frequent trading often increases fund expenses. Inverse and leveraged inverse ETFs tend to have higher expense ratios than standard index ETFs, since the funds are by their nature actively managed; these costs can eat away at performance. An inverse ETF needs to buy when the market rises and sell when it falls in order to maintain a fixed leverage ratio. This results in a volatility loss proportional to the market variance. Compared to a short position with identical initial exposure, the inverse ETF will therefore usually deliver inferior returns

except when the market declines significantly on low volatility so that the capital gain outweighs the volatility loss. Such large declines benefit the inverse ETF because the relative exposure of the short position drops as the market falls. Since the risk of the inverse ETF and a fixed short position will differ significantly as the index drifts away from its initial value, differences in realized payoff have no clear interpretation. It may therefore be better to evaluate the performance assuming the index returns to the initial level. In that case an inverse ETF will always incur a volatility loss relative to the short position. As with synthetic options, leveraged ETFs need to be frequently rebalanced.



**Compounding Risk** is one of the main types of risks affecting inverse ETFs. Inverse ETFs held for periods longer than one day are affected by compounding returns. Since an inverse ETF has a single-day investment objective of providing investment results that are one times the inverse of its underlying index, the fund's performance likely differs from its investment objective for periods greater than one day. Investors who wish to hold inverse ETFs for periods exceeding one day must actively manage and rebalance their positions to mitigate compounding risk. The effect of compounding returns becomes more conspicuous during periods of high market turbulence. During periods of high volatility, the effects of compounding returns cause an inverse ETF's investment results for periods longer than one single day to substantially vary from one times the inverse of the underlying index's return.

**Derivative Securities Risk:** Many inverse ETFs provide exposure by employing derivative. Derivative securities are considered aggressive investments and expose inverse ETFs to more risks, such as correlation risk, credit risk and liquidity risk. Swaps are contracts in which one party exchanges cash flows of a predetermined financial instrument for cash flows of a counterparty's financial instrument for a specified period. Swaps on indexes and ETFs are designed to track the performances of their underlying indexes or securities. The performance of an ETF may not perfectly track the inverse performance of the index due to expense ratios and other factors, such as negative effects of rolling futures contracts. Therefore, inverse ETFs that use swaps on ETFs usually carry greater correlation risk and may not achieve high degrees of correlation with their underlying indexes compared to funds that only employ index swaps. Additionally, inverse ETFs using swap agreements are subject to credit risk. A counterparty may be unwilling or unable to meet its obligations and, therefore, the value of swap agreements with the counterparty may decline by a substantial amount. Derivative securities tend to carry liquidity risk, and inverse funds holding derivative securities may not be able to buy or sell their holdings in a timely manner, or they may not be able to sell their holdings at a reasonable price.

**Correlation Risk:** Inverse ETFs are also subject to correlation risk, which may be caused by many factors, such as high fees, transaction costs, expenses, illiquidity and investing methodologies. Although inverse ETFs seek to provide a high degree of negative correlation to their underlying indexes, these ETFs usually rebalance their portfolios daily, which leads to higher expenses and transaction costs incurred when adjusting the portfolio. Moreover, reconstitution and index rebalancing events may cause inverse funds to be underexposed or overexposed to their benchmark. These factors may decrease the inverse correlation between an inverse ETF and its underlying index on or around the day of these events. Futures contracts are exchange-traded derivatives that have a predetermined delivery date of a specified quantity of a certain underlying security, or they may settle for cash on a predetermined date. With respect to inverse ETFs using futures contracts, during times of backwardation, funds roll their positions into less-expensive, further-



dated futures contracts. Conversely, in contango markets, funds roll their positions into more-expensive, further dated futures. Due to the effects of negative and positive roll yields, it is unlikely for inverse ETFs invested in futures contracts to maintain perfectly negative correlations to their underlying indexes on a daily basis.

**Short Sale Exposure Risk:** Inverse ETFs may seek short exposure through the use of derivative securities, such as swaps and futures contracts, which may cause these funds to be exposed to risks associated with short selling securities. An increase in the overall level of volatility and a decrease in the level of liquidity of the underlying securities of short positions are the two major risks of short selling derivative securities. These risks may lower short-selling funds' returns, resulting in a loss.

**Options:** An option is a financial derivative that represents a contract sold by one party (the option writer) to another party (the option holder, or option buyer). The contract offers the buyer the right, but not the obligation, to buy or sell a security or other financial asset at an agreed-upon price (the strike price) during a certain period of time or on a specific date (exercise date). Options are extremely versatile securities. Traders use options to speculate, which is a relatively risky practice, while hedgers use options to reduce the risk of holding an asset.

**Call Options:** Call options give the option to buy at a certain price, so the buyer would want the stock to go up. An option writer who sells a call option believes that the underlying stock's price will drop relative to the option's strike price during the life of the option, as that is how he will reap maximum profit. This is exactly the opposite outlook of the option buyer. The buyer believes that the underlying stock will rise; if this happens, the buyer will be able to acquire the stock for a lower price and then sell it for a profit. However, if the underlying stock does not close above the strike price on the expiration date, the option buyer would lose the premium paid for the call option.

**Put Option:** Put options give the option to sell at a certain price, so the buyer would want the stock to go down. The opposite is true for put option writers. On the other hand, an option writer who sells a put option believes the underlying stock's price will increase about a specified price on or before the expiration date. If the underlying stock's price closes above the specified strike price on the expiration date, the put option writer's maximum profit is achieved. Conversely, a put option holder would only benefit from a fall in the underlying stock's price below the strike price. If the underlying stock's price falls below the strike price, the put option writer is obligated to purchase shares of the underlying stock at the strike price.

The potential risks associated with these transactions are that (1) all options expire. The closer the option gets to expiration, the quicker the premium in the option deteriorates; and (2) Prices can move very quickly. Depending on factors such as time until expiration and the relationship of the stock price to the option's strike price, small movements in a stock can translate into big movements in the underlying options.

**Private Equity:** Private equity is an equity investment into non-quoted companies. The private equity investor looks at an investment prospect as investing in a company as opposed to investing in a company's stock. Private equity funds hold illiquid positions (for which there is no active secondary market) and typically only invest in the equity and debt of target companies, which are generally taken private and brought under the private equity manager's control. Risks associated with private equity include:





**Funding Risk:** The unpredictable timing of cash flows poses funding risks to investors. Commitments are contractually binding and defaulting on payments results in the loss of private equity partnership interests. This risk is also commonly referred to as default risk.

**Liquidity Risk:** The illiquidity of private equity partnership interests exposes investors to asset liquidity risk associated with selling in the secondary market at a discount on the reported NAV.



**Market Risk:** The fluctuation of the market has an impact on the value of the client's investments.

**Capital Risk:** The realization value of private equity investments can be affected by numerous factors, including (but not limited to) the quality of the fund manager, equity market exposure, interest rates and foreign exchange.

**Private Placements:** A private placement is an offering of unregistered securities by an issuing company to a limited pool of investors. Private placements are speculative and involve a high degree of risk. Some of the risks include:

- **Liquidity Risk:** Investors may be unable to liquidate their interest in an issuer. Because of a variety of restrictions upon the transferability of the issuance, including restrictions imposed by federal securities laws, an investor may be required to retain their investment for an extended period, or even indefinitely.
- **Limited Operating History Risk:** The issuing company may have limited operating history, so any projections, forecasts, and/or extrapolations may be hypothetical, speculative, and subject to change. Therefore, the actual performance may materially differ from such projections.
- **Market Risk:** Each Issuer is materially affected by economy and market conditions. Inflation, energy costs, geopolitical issues, etc. may contribute to increased volatility and diminished expectations for the economy, specific sectors, etc. These factors, among others, may contribute to an increased likelihood that the issuer will fail, and the investor loses their money.
- **Dilution Risks:** The issuer may be required to raise additional capital; future issuance of additional securities dilutes the ownership of the issuer's then-existing owners. Investors cannot be assured that the effects of such dilution will be insignificant.

Prior to investing in a private placement, you must fully understand the risks by reviewing the private placement memorandum and/or other documents explaining such risks.

**Structured Products:** Structured products are designed to facilitate highly customized risk-return objectives. While structured products come in many different forms, they typically consist of a debt security that is structured to make interest and principal payments based upon various assets, rates or formulas. Many structured products include an embedded derivative component. Structured products may be structured in the form of a security, in which case these products may receive benefits provided under federal securities law, or they may be cast as derivatives, in which case they are offered in the over-the-counter market and are subject to no regulation. Investing in structured products includes significant risks, including valuation, lack of liquidity, price, credit and market risks. The relative lack of liquidity is due to the highly customized nature of the investment and the fact that the full extent of returns from the complex performance features is often not realized until maturity. Another risk with structured products is the credit quality of the issuer. Although the cash flows are derived from other sources, the products themselves are legally considered to be the issuing financial institution's liabilities. The vast majority of



structured products are from high- investment-grade issuers only. Also, there is no uniform standard for pricing, making it harder to compare the net-of-pricing attractiveness of alternative structured product offerings than it is, for instance, to compare the net expense ratios of different mutual funds or commissions among broker-dealers.

**Unit Investment Trust (“UIT”):** A UIT is a professionally selected pooled investment vehicle in which a portfolio of securities is selected by the sponsor and deposited into the trust for a specified period of time.

Generally, a UIT's portfolio is not actively traded and follows a buy and hold strategy. A unit investment trust is registered with the SEC as a Registered Investment Company (RIC) or Grantor trust. The portfolio remains fixed until the termination of the trust, usually ranging from 13 months to as much as 30 years, depending on the underlying securities. Although the securities within the trust remain generally fixed and are not managed, the sponsor may remove a security from the trust under limited circumstances. These situations are outlined in the prospectus. Generally, UITs will inherit the risks of the underlying securities, and are not appropriate for investors seeking capital preservation. There is no assurance that an individual UIT portfolio will meet its objective. UITs are not actively managed and will not be sold to take advantage of market conditions. Upon termination there is no assurance the value of the UIT will be equal to or higher than the original price. The level and type of risk associated with UITs may vary significantly from one trust to another. It is important to have a complete understanding of the underlying products from which a UIT derives its value to evaluate the risks. In general, complex UITs are subject to a number of risks that include increased volatility and greater potential for loss, and are not suitable for all investors. The investment strategies and risks of each UIT are fully outlined in the trust's prospectus.

Equity UITs have risks common to owning individual stocks, which may include but are not limited to perceptions of the financial stability of the issuers, the condition of the stock market and/or sector, political and economic events, and rising interest rates.

Fixed Income UITs have risks common to owning individual bonds which may include, but are not limited to interest rate risk, default or credit risk, liquidity risk, early call provisions, volatility and if the underlying bonds are insured, insurance risk is based on the insurer's ability to repay interest and/or principal upon default.

**Delaware Statutory Trusts:** A Delaware Statutory Trust is a real estate ownership structure where multiple investors each hold an undivided fractional interest in the holdings of the trust. The trust is established by a professional real estate company, referred to as “DST sponsor”, who first identifies and acquires the

real estate assets. As individuals invest, their investments displace the capital used by the DST sponsor to acquire the property until it is eventually wholly owned by the investors. Investors own a beneficial interest in the trust. This means that investors hold a percentage of the ownership, and no single owner can claim exclusive ownership over any specific aspect of the real estate. Like all real estate investments, investing in Delaware Statutory Trusts involve many of the same risks, including potential lack of return and loss of principal. As long-term, income-focused investments, DST performance is largely dependent upon the tenants' ability to pay rent. This presents a few notable DST risks including lack of liquidity, interest rate risk, and changing market conditions. Additionally, some of the characteristics of a DST may not align with an individual's investment goals including the lack of personal control over the investment.

A lack of management control can be both an advantage and disadvantage. After all, the passive nature of a DST is one of the characteristics that make this such an attractive investment option. The DST Sponsor puts in place a highly experienced team of real estate professional to manage DST operations. However, some investors prefer to participate in the property strategy and operations. For those investors, the DST structure would not be a good fit.

DST properties are typically held for 3 to 10 years. The DST sponsor has total control over the length of the investment and the exit. If an investor wants to exit early, the only option is to sell the DST interest to another accredited investor. The sale would also be subject to the same 1031 exchange guidelines, or the investor would be responsible for the capital gains tax due upon the sale.

As with any type of income-oriented real estate investment, investors may be subject to future vacancy rates and interest rate fluctuations, which could reduce cash flow potential and price appreciation. DSTs are also susceptible to changes in the IRS's treatment of tax-deferred exchanges.

**Management Risk** is the risk that the investment techniques and risk analyses applied by AFS may not produce the desired results and that legislative, regulatory, or tax developments, may affect the investment techniques available to AFS. There is no guarantee that a client's investment objectives will be achieved.

**Real Estate Risk** is the risk that an investor's investments in Real Estate Investment Trusts ("REITs"), or real estate-linked derivative instruments, will subject the investor to risks similar to those associated with direct ownership of real estate, including losses from casualty or condemnation, changes in local and general economic conditions, supply and demand, interest rates, zoning laws, regulatory limitations on rents, property taxes, and operating expenses. An investment in REITs or real estate-linked derivative instruments subject the investor to management and tax risks.

**Interval Funds** are a type of closed-end fund with shares that do not trade on the secondary market. Interval funds periodically offer to buy back a percentage of outstanding shares based on the fund's net asset value. Risks associated with interval funds include:

**Liquidity Risk:** Interval fund shareholders can only exchange their shares for cash during predetermined redemption periods, which occur no more than four times per year. Since investors can only exchange their shares during predetermined redemption periods, they must ride out the business cycle until the next redemption period, creating the possibility of significant wealth loss in the event of a major market downturn. Also, interval funds are only required to redeem roughly 5 – 25% of the outstanding shares during each redemption period, which may fall below the shareholder's demand for redemption. As such, investors should be aware that interval funds are not the place to sequester money that might be needed on short notice.

**Default Risk:** Default risk is the probability that the issuer of a debt instrument will be unable to pay the bond's interest or principal, resulting in default. Default risk is particularly salient for interval funds by virtue of their typical holding patterns. Many interval funds will invest a significant portion of their portfolios in debt from small, private, or distressed borrowers. This strategy gives access to higher fixed-



income yields, as riskier debt pays higher interest rates to compensate lenders. However, it brings with it the possibility that borrowers will default and that the whole value of the debt holding will be lost.

**Concentration Risk:** Concentration risk arises from a lack of diversification within a fund's holdings, either across asset classes, credit qualities, or geographies. When a fund is well-diversified, it has structural buffers against macroeconomic events that might temporarily affect an entire sector or country. Interval funds are often non-diversified, meaning they concentrate a significant proportion of their total assets into a single economic sector or class of financial products. Although regulated investment companies like interval funds and ETFs are barred from investing more than 25% of their assets in any single security, that limitation does not prohibit interval funds from investing most or all their capital in one type of security. Non-diversified funds are adroit at capturing the upside returns in a well-chosen sector, but they are also extremely vulnerable to adverse and unexpected events that might impact that sector.

**Interest Rate Risk:** Interval funds that focus on fixed-income securities are subject to elevated interest rate risk. When interest rates rise, fixed-rate bond prices fall. When this happens, an interval fund whose portfolio is heavily weighted toward publicly traded debt securities can see a significant reduction in its net asset value – and thus a lower share price.

**Fee Risk:** Interval Funds tend to have active management styles and complex structures, and, as a result, tend to charge shareholders higher fees than more liquid vehicles like open-end mutual funds and ETFs. These fees vary fund-by-fund, but they usually include: (i) a management fee, covering salaries and expenses for the fund's advisory team; (ii) an early repurchase fee, which exists to disincentivize the selling of shares after holding them for less than a year; (iii) servicing & distribution fees, which cover shareholder services like informational materials and annual distributions; and (iv) sales charges that are charged when shares are purchased. Altogether, these fees usually add up to a net expense ratio between 1% and 4%.

**Complexity Risk:** "Complexity risk" is an imprecise but important concept – because interval funds' operations, objectives, and strategies can be complicated, investors may overlook key details. Investors should ask questions and carefully read the interval fund's prospectus and other offering documents before investing in interval funds.

**Investment Companies ("Mutual Funds") Risk** When an investor invests in mutual funds, the investor will bear additional expenses based on his/her pro rata share of the mutual fund's operating expenses, including the management fees. The risk of owning a mutual fund generally reflects the risks of owning the underlying investments the mutual fund holds.

**Commodity Risk** Generally, commodity prices fluctuate for many reasons, including changes in market and economic conditions, or political circumstances (especially in key energy-producing and consuming countries), the impact of weather on demand, levels of domestic production and imported commodities, energy conservation, domestic and foreign governmental regulation (agricultural, trade, fiscal, monetary and exchange control), international politics, policies of OPEC taxation and the availability of local, intrastate and interstate transportation systems, and the emotions of the marketplace. The risk of loss in trading commodities can be substantial.

**Money Market Funds Risk** Like mutual funds, money market funds are neither FDIC-insured nor guaranteed by a government agency and are not deposits or obligations of, or guaranteed by, any bank. Although certain money market funds seek to preserve their value of your investment at \$1 per share, it is possible to lose money by investing in such a fund. Mutual fund purchases may be subject to eligibility and other restrictions, as well as charges and expenses. Certain money market funds may impose liquidity fees and redemption gates in certain circumstances. Please read the prospectus carefully before investing. Tax-exempt funds may pay dividends that are subject to the alternative minimum tax and also may pay taxable dividends due to investments in taxable obligations.





Securities and investments are not guaranteed, and clients may lose money on their investments. We require that clients work with us to help us understand their risk tolerance in structuring their portfolio(s).

Additional information about the risks of any particular investment should be reviewed in that specific investment vehicle's disclosure documents and prospectus.

**Risks are applicable to all strategies. We ask that you work with us to help us understand your tolerance for risk, as this is the key to helping us best meet your investing needs. All investment programs and strategies have certain risks that are borne by the investor. There can be no guarantee that any investment program and accompanying strategies will achieve its objective, generate a positive return, or avoid losses.**

#### **ITEM 9: DISCIPLINARY INFORMATION**

AFS is required to disclose all material facts regarding any disciplinary events that would be material to the evaluation of AFS, or the integrity of AFS's management. AFS has never had disciplinary information disclosures applicable to this item.

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

##### **Capital Synergy Partners, Inc., a FINRA- Registered Broker-Dealer**

Mr. Pierre Ngo, President of AFS, is a registered representative of Capital Synergy Partners, Inc., registered broker-dealer and a member of FINRA and SIPC. As a registered representative, Mr. Ngo is licensed to offer general securities through Capital Synergy Partners, Inc. Accordingly, FINRA rules together with Capital Synergy Partners, Inc.'s policies require that the transaction of any securities, or variable products, by Mr. Ngo must be placed exclusively through Capital Synergy Partners, Inc. These products typically have higher expenses and sometimes impose surrender charges. In this capacity, Mr. Ngo can implement securities transactions for clients, for which Mr. Ngo may receive customary and reasonable compensation in the form of commissions from Capital Synergy Partners, Inc. in addition to the compensation Mr. Ngo receives from you.

Depending on the needs, goals, and objectives of each client, AFS may recommend investment implementation directly through AFS, or through the offering of Capital Synergy Partners.

Asset management fees and brokerage charges do not offset the hourly advisory fees paid to AFS. These charges and compensation create a conflict of interest in AFS and/or Mr. Ngo recommending that you transact securities through Capital Synergy Partners, Inc. Clients are not obligated to use Mr. Ngo and/or Capital Synergy Partners, Inc. to implement these transactions.



#### **Advanced Financial Strategies & Insurance Services**

Mr. Ngo (as an individual) and AFS (doing business as Advanced Financial Strategies & Insurance Services) are both licensed by the California Department of Insurance and certain other state insurance departments. AFS and Mr. Ngo are licensed insurance agents through CPS Insurance Services, Inc. as well as other independent brokerage agencies. Mr. Ngo/AFS sells and services life insurance, fixed and index annuity, disability, health, and long-term care insurance to both individual and business clients. For this service, Mr. Ngo/AFS would receive customary and reasonable compensation in the form of commissions from the insurance companies. These compensations are paid initially when the product is sold, and an ongoing trail compensation after. Some of this trail compensation continues for the entire life of the insurance product.

The payment from the insurance companies to Mr. Ngo/AFS are intended for ongoing servicing of your insurance contract. The insurance related compensation received are separate from and in addition to any investment management services and/or advisory services that a client may pay to AFS. This presents a conflict of interest because AFS and/ or Mr. Ngo may have an incentive to recommend insurance products because of the compensation.

When recommending products to clients, Mr. Ngo/AFS have a duty to only recommend products/services that are in the best interest of the client. Clients are not obligated to act on any insurance recommendations or use Mr. Ngo/AFS to place any transactions if they decide to follow the recommendations. Mr. Ngo/AFS have no affiliation with any insurance carrier.

We mitigate these conflicts by requiring employees to comply with the firm's Code of Ethics and adhere to our fiduciary duty to you. We will act in your best interest when making recommendations on investments, insurance, or other services to align with your goals, objectives, and personal circumstances. We will discuss with you the basis for recommending an action, product, or service as well as the advantages and disadvantages of the action, product, or service relative to reasonably available alternatives.

AFS may refer clients to third-party insurance agents/brokers for the implementation of group benefits and insurance products, including but not limited to group health, disability, vision, dental, etc. AFS receives

a portion of the commissions generated from its referrals. This arrangement creates a conflict of interest for not only AFS to recommend third-party insurance agents/brokers, but also to specifically recommend agents/brokers that share a larger portion of the commissions. To mitigate this conflict, AFS will only refer clients to third-party insurance agents/brokers when determined to be in the client's best interest.

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

**The firm holds itself to a fiduciary standard, which means we will act in the utmost good faith, performing in a manner believed to be in the best interest of our clients.**

**The guiding principle at Advanced Financial Strategies is, "For whatever a person sows, this they will also reap." We are committed to being a good steward of your family's wealth.**

We have no greater responsibility than to put your interests before our own. We have a culture of transparency and integrity. Our Code of Ethics is designed to codify a culture of placing the client's interests first and treating clients as we would wish to be treated as clients.

Our Code of Ethics is adopted by all employees of the firm. It codifies the expectation of a high standard of business conduct and fiduciary duty to you. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, and personal securities trading procedures, among other things.

All employees of AFS must acknowledge the terms of the Code of Ethics annually, or as amended. Prompt reporting of internal violations is mandatory. Our chief compliance officer, Pierre Ngo, regularly evaluates employee performance to ensure compliance with the Code of Ethics. AFS requires that anyone associated with this advisory practice who makes or has access to advisory recommendations provide annual securities holding reports and quarterly transaction reports to the firm's principal. AFS also requires such access persons to receive approval from Mr. Ngo prior to investing in any IPO's, or private placements (limited offerings). A copy of the Code of Ethics is available to you or any prospective client upon request. We welcome discussion on this important topic.

AFS, or individuals associated with us, may buy and sell some of the same securities or different securities for our own accounts that we buy and sell for you. We may buy or sell securities for our own accounts for reasons not related to the strategies adopted by our clients. We will disclose to you any material conflict of interest relating to us, our representatives, or any of our employees which could reasonably be expected to impair the rendering of unbiased and objective advice. AFS and its associated persons will not put their interest before the client's interest. Client purchases and sales are usually, but not always, completed concurrently with purchases and sales by the foregoing persons and entities.

AFS and its associated persons will not trade in a manipulative manner, in a way to harm clients, and/or in a way that violates insider trading policies.

It is our policy that the firm will not affect any principal or agency cross-securities transactions for your accounts. We will also not cross trades between your and another client's accounts. All trades are executed in publicly traded markets.

We maintain a list of all securities holdings for ourselves, and anyone associated with this advisory practice who makes or has access to advisory recommendations. These holdings are reviewed on a regular basis by the CCO and/or one member of the management team. AFS permits an associated person to open and maintain personal securities accounts or holding at Schwab. An associated person must notify the CCO and received written approval for opening new securities accounts or holding existing securities at other financial institutions. The CCO must also notify AFS's senior financial advisor Jonathon V. Nguyen and/or





it's operation manager Patty Vasquez and received written approval for opening new securities accounts or holding existing securities at other financial institutions. Holdings include those securities in which an associated person has any direct or indirect beneficial ownership.

Our firm may receive compensation in the form of commissions from the recommendation of insurance products and services. We do not offer any proprietary products and clients are not obligated to act on any insurance recommendations or use our firm to facilitate the recommendations. Our firm is not fee-only, this arrangement could influence our decisions with respect to our recommendations.

We mitigate these conflicts by requiring employees to comply with the firm's Code of Ethics and adhere to our fiduciary duty to you. We will act in your best interest when making recommendations on investments, insurance, or other services to align with your goals, objectives, and personal circumstances. We will discuss with you the basis for recommending an action, product, or service as well as the advantages and disadvantages of the action, product, or service relative to reasonably available alternatives.

In order to maintain transparency, we ensure the following policies are enforced:

- All clients are fully informed that AFS and certain individuals may receive separately an initial and ongoing trail compensation when effecting transactions during the implementation process.
- We emphasize you run restricted right to decline to implement any advice rendered, except in situations where we are granted discretionary authority over your account.
- We require that all individuals must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
- Any individual not in observance of the above may be subject to termination.

Our Code of Ethics further includes the firm's policy prohibiting the use of material non-public information and protecting the confidentiality of client information. We require that all individuals must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices. Any individual not in observance of the above may be subject to discipline, including termination.

We will provide a complete copy of our Code of Ethics to you upon request.



### **Personal Trading Policy**

AFS has adopted a personal trading policy outlined within its Code of Ethics.

AFS's policy is based on the principle that it owes a fiduciary duty to clients to conduct personal securities transactions in a manner that does not interfere with client transactions, or otherwise take unfair advantage of their relationship with clients.

AFS requires associated persons to pre-clear certain personal securities transactions. In addition, the Code of Ethics requires associated persons to report certain security holdings initially upon being hired, quarterly and annually thereafter.

AFS has certain proprietary accounts which fall under the definition of beneficial ownership due to certain associated persons' ownership stake in the firm. As provided for in AFS's portfolio management and trading policies, these accounts may participate in trade orders along with client accounts. This may create an incentive for AFS to put the interests of the firm ahead of clients; however, the Ethics Code requires AFS to put our clients' interests first and to report personal transactions and holdings to the chief compliance officer in accordance with the reporting requirements described above. These accounts also have pre-clearance requirements and personal trading restrictions described above, provided the transactions are done in accordance with AFS's portfolio management and trading policies and procedures. The CCO trading activities, investment holdings, and pre-clearance of all trades will be reviewed by AFS's senior financial advisor Jonathon V. Nguyen and/or its operation manager Patty Vasquez.

## **ITEM 12: BROKERAGE PRACTICES**

### **Broker-Dealer/Custodian**

AFS requests that the client's direct advisor place account transactions through Charles Schwab Corporation ("Schwab") as the qualified custodian. Schwab is a registered broker-dealer, member SIPC. AFS is independently owned and operated, and unaffiliated with Schwab. Schwab will hold client assets in a brokerage account and buy and sell securities when AFS instructs them to. By requesting clients to use Schwab, AFS believes we may be able to more effectively manage the client's portfolio, achieve favorable execution of client transactions, and overall lower the costs to the portfolio. However, not all investment advisers would request/require their clients to place their account(s) with Schwab as the custodian. Other custodians/brokerages may have more favorable execution and lower transaction costs than Schwab in certain cases.

### **Selection of Broker-Dealer/Custodian**

AFS seeks to recommend a Broker-Dealer/Custodian who will hold client assets and execute transactions on terms that are, overall, most advantageous when compared to other available providers and their services. AFS considers a wide range of factors, including, but not limited to:



- Combination of transaction execution services and asset custody services (generally without a separate fee for custody)
- Capability to execute, clear, and settle trades (buy and sell securities for client accounts)
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds, etc.)
- Availability of investment research and tools that assist us in making investment decisions
- Quality of services
- Competitiveness of the price of those services (commission rates, other fees, etc.)
- Reputation, financial strength, and stability
- Prior service to us and our other clients
- Availability of other products and services that benefit us

Although you are not required to use a custodian recommended by AFS, your choices may impact our ability to serve you. By directing us to use a particular broker or dealer, you should understand that we do not have authority to negotiate commissions, best execution may not be achieved, and a disparity in commission charges may exist between the commissions charged to other clients of AFS, or the broker.

#### **Research and Other Soft Dollar Benefits**

While AFS does not receive “soft dollars” from Schwab, it does receive certain support services. As part of our fiduciary duties to our clients, we always endeavor to put the interests of our clients first. Clients should be aware, however, that the receipt of economic benefits by our firm, or our related persons, can create a potential conflict of interest and may indirectly influence our firm’s choice of recommended custodians for custody and brokerage services.

In addition to investment research, the recommended custodians may also make available software and other technology that provide the following:

- Access to client account data (such as duplicate trade confirmations and account statements)
- Research related products and tools
- Trade execution
- Block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts)
- Pricing and other market data
- Payment of our fees from our clients’ accounts
- Back-office functions, recordkeeping, and client reporting

The recommended custodian may also offer other services intended to help us manage and further develop our business enterprise. These services include the following:

- Educational conferences and events
- Consulting on technology, compliance, legal, and business needs
- Publications and conferences on practice management and business succession
- Access to employee benefits providers, human capital consultants, and insurance providers

The recommended custodians may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. The recommended custodians may also discount or waive fees for some of these services, or pay all, or a part of a third party’s fees. They may also provide us with other benefits, such as occasional business entertainment of our personnel.

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

### **Asset Management Services/ Independent Investment Management Services**

AFS Management Team and its trained staff review portfolio management accounts on a frequent, ongoing basis at least quarterly to ensure that the investments reflect your goals and risk tolerance. Additionally, your account is reviewed when you have informed us there has been a change in your needs, goals, or financial circumstances.

Such reviews include, but are not necessarily limited to, asset allocation, investment objectives, risk tolerance, concentration, and any reasonable restrictions to be imposed according to the specific assets, or types of securities to be included, or excluded, from the client's portfolios.

You will receive trade confirmations as well as periodic statements from the custodian, which will include all transactions in your account(s), the current investments owned, market appreciation/depreciation, other income or expenses (including management fee deducted) and the total value of investments.

While we review all accounts, we do not direct the day-to-day investment decisions of the independent investment managers, which we/you may select.

All investment advisory clients are encouraged to keep us informed of any material changes to their financial circumstances, goals, and objectives. We ask that clients initiate and coordinate a meeting with AFS at least annually to review their account(s), investment objectives and discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.

Upon request to AFS, we will provide you with comprehensive performance updates, which includes a breakdown of AFS's fees. We recommend that you verify and reconcile any portfolio information we send you with the account statements, which you will receive from the third-party designated custodian.

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

### **Advisory Firm Payments for Client Referrals**

We do not pay any entities for prospective client referrals, nor is there a fee-sharing arrangement reflective of a solicitor engagement (as defined in SEC Rule 206(4)-3). However, Mr. Pierre Ngo, the owner of AFS, also owns a business interest in Hubble, LLC, the owner of the business building where AFS is located. The owners of Abregov Parrino, LLP, a CPA firm, also own a business interest in Hubble, LLC and operates at the same location. Abregov Parrino, LLP and AFS occasionally refer clients to each other when appropriate. Referred clients are not obligated to engage Abregov Parrino, LLP or AFS at any time. AFS does not compensate Abregov Parrino, LLP for any referral of its clients nor does Abregov Parrino, LLP compensate AFS for any clients which it refers. AFS and Abregov Parrino, LLP are unaffiliated.

### **OTHER COMPENSATION**

#### **Scwab's Institutional Customer Program**

AFS participates in Schwab's institutional customer program and your advisor may recommend Schwab to you for custody and brokerage services. There is no direct link between our participation in the program and the investment advice we give you, although we receive economic benefits through our participation in the program that are typically not available to Schwab 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 the clients of AFS

- Access to block trading, which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to the accounts of our clients
- The ability to have advisory fees deducted directly from our clients' accounts
- Access to an electronic communications network for our clients' order entry and account information
- Access to mutual funds with no transaction fees and to certain institutional money managers
- Discounts on compliance, marketing, research, technology, and practice management products or services provided to AFS by third-party vendors

Schwab may also have paid for business consulting and professional services received by AFS's related persons. Some of the products and services made available by Schwab through the program may benefit AFS but may not benefit you. These products, or services, may assist AFS in managing and administering the account of our clients, including accounts not maintained at Schwab. Other services made available by Schwab are intended to help us manage and further develop our business enterprise. The benefits received by AFS or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to Schwab.

As part of its fiduciary duties to clients, AFS endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by AFS, or its related persons, in and of itself creates a potential conflict of interest and has the potential to indirectly influence our choice of Schwab for custody and brokerage services.

In addition, where appropriate, AFS may recommend products of various companies, whereby AFS may receive any of the following goods or services: research materials, account record keeping, online financial information, publications, data processing, and receipt of duplicate client confirmations.

The benefits received through participation in these programs do not depend upon the number of transactions directed to these firms.

Companies may, from time to time, grant incentive awards to AFS based upon AFS's investment and insurance recommendations. Our investment and insurance recommendations to you will be based upon your specific needs. In such instances, however, our receipt of these goods and services may be deemed to affect AFS's judgment in giving you advice. Representatives of AFS may attend conference, events, meals, etc. that are hosted and/or paid for by product sponsors (e.g., mutual fund and exchange traded fund companies). Receipt of these benefits creates a conflict for AFS to recommend these companies' products to clients. To mitigate these conflicts, AFS will act in the client's best interest and only recommend a product based on the value that product provides in itself.

### **ITEM 15: CUSTODY**

You will receive statements from the broker-dealer, insurance companies, or other qualified custodian, which holds and maintains your investment assets at least once every quarter. We urge you to review such statements carefully on a regular basis, and to compare such official custodial records to the account statements, which we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. AFS does not maintain custody of client funds or securities.

While clients maintain their funds at a qualified custodian independent of AFS, we do directly deduct management fees from your accounts. The SEC considers this action to be a form of custody. Because the custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodian statements to verify the accuracy of the calculation among other things. Clients should contact us directly if they believe there may be an error in their statement. It is ultimately the independent custodian that is responsible for the safe keeping and reporting of all transactions within the client's account during the reporting period.





## **ITEM 16: INVESTMENT DISCRETION**

While you always have the right to select the securities to be managed in consultation with us, you may also give us written authority to determine the securities to be bought or sold and the amount of the securities to be bought or sold on your behalf without first obtaining your specific consent to any such particular transaction. Any limits on this discretionary authority must be included in a written authority statement. You may change, or amend, these limitations at any time by giving written notice of the changes to AFS.

We provide our Investment Advisory Services on a discretionary and non-discretionary basis, which means that we will place trades in a client's account, as we deem appropriate based on the information previously gathered with, or without, contacting the client prior to each trade to obtain the client's permission.

Under these circumstances, our discretionary authority includes the ability to do the following without contacting the client:

- Determine the security to buy or sell
- Determine the amount of the security to buy or sell
- Determine when transactions are made
- Determine the independent managers to be hired or fired

## **ITEM 17: VOTING CLIENT SECURITIES**

As a matter of firm policy and practice, AFS does not vote proxies on behalf of its advisory clients. Therefore, although our firm may provide advisory services relative to client investment assets, clients maintain exclusive responsibility for 1) directing the manner in which proxies solicited by issuers of securities



beneficially owned by the client shall be voted, and 2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings, or other type of events pertaining to the client's investment assets. Clients are responsible for instructing each custodian of the assets, to forward to the client, along with copies of all proxies and shareholder communications relating to the client's investment assets. AFS may, however, provide advice to clients regarding your voting.

#### **ITEM 18: FINANCIAL INFORMATION**

We do not solicit fees of more than \$1,200.00/per client six (6) months or more in advance. We have no financial commitment, which impairs our ability to meet contractual and fiduciary commitments to clients as they become due. We have not been the subject of a bankruptcy proceeding.

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## Privacy Statement

Maintaining the trust and confidence of our clients is a high priority. We want you to understand how we protect your privacy when we collect and use information about you, and the steps we take to safeguard that information.

**Information We Collect:** In connection with providing investment products, financial advice, or other services, we obtain non-public personal information about you, including:

- Information we receive from you on account applications, such as your address, date of birth, Social
- Security Number, occupation, financial goals, assets and income;
- Information about your transactions with us, our affiliates, or others;
- Information about your visit to our website. We store that information in web server logs, which are records of the activities on our sites. The servers automatically capture and save the information electronically. The information we collect in web server logs helps us administer the site, analyze its usage, protect the website and its content from inappropriate use and improve the user's experience.
- Information received from credit or service bureaus or other third parties, such as your credit history or employment status.

**Categories of Information We Disclose:** We may only disclose information that we collect in accordance with this policy. AFS does not sell customer lists and will not sell your name to telemarketers.

**Categories of Parties to Whom We Disclose:** We will not disclose information regarding you or your account at AFS, except under the following circumstances:

- To entities that perform services for us or function on our behalf, including financial service providers, such as a clearing broker-dealer, investment company, or insurance company, other investment advisers;
- To comply with broker-dealer firms that have regulatory requirements to supervise certain representatives' activities;
- To third parties who perform services or marketing, client resource management or other parties to help manage your account on our behalf;
- To your attorney, trustee, or anyone else who represents you in a fiduciary capacity; To our attorneys, accountants, or auditors; and
- To government entities or other third parties in response to subpoenas or other legal process as required by law or to comply with regulatory inquiries.

**How We Use Information:** Information may be used among companies that perform support services for us, such as data processors, client relationship management technology, technical systems consultants and programmers, or companies that help us market products and services to you for a number of purposes, such as: To protect your accounts/non-public information from unauthorized access or identity theft;

- To process your requests such as securities purchases and sales;
- To establish or maintain an account with an unaffiliated third party, such as a clearing broker-dealer providing services to you and/or AFS;
- To service your accounts, such as by issuing checks and account statements;
- To comply with Federal, State, and Self-Regulatory Organization requirements;
- To keep you informed about financial services of interest to you.

**Our Security Policy:** We restrict access to nonpublic personal information about you to those individuals who need to know that information to provide products or services to you and perform their respective duties. We maintain physical, electronic, and procedural security measures to safeguard confidential client information.

**Cyber Security:** Internal policies and procedures are in place to address cyber security. A copy of this policy is available upon request.

**Succession Planning:** In the event that Mr. Ngo retires, becomes incapacitated or perishes unexpectedly, your information would be disclosed to an unaffiliated third party for the purposes of facilitating a business succession plan. A change in control of ownership of AFS would require your consent, as dictated by your signed agreement with AFS, in order to continue providing services to you.

**Your Right to Opt Out:** Federal privacy laws give you the right to restrict some sharing of your personal financial information. These laws balance your right to privacy with AFS's need to provide information for normal business purposes. You have the right to opt out of some information sharing with companies that are (1) Part of the same corporate group as your financial company (or affiliates); or (2) Not part of the same corporate group as your financial company (or non-affiliates). Choosing to restrict the sharing of our personal financial information will not apply to (1) Information about you to firms that help promote and market the company's own products or products offered under a joint agreement between two financial companies; (2) Records of your transactions--such as your loan payments, credit card or debit card purchases, and checking and savings account statements--to firms that provide data processing and mailing services for your company; (3) Information about you in response to a court order; and (4) Your payment history on loans and credit cards to credit bureaus. If you opt out, you limit the extent to which AFS can provide your personal financial information to non-affiliates.

**Closed or Inactive Accounts:** If you decide to close your account(s) or become an inactive customer, our Privacy Policy will continue to apply to you.

**Complaint Notification:** Please direct complaints to: Pierre Ngo at Advanced Financial Strategies, LLC, 5 Hubble, Irvine, CA 92618; 949-502-5333.

**Changes to This Privacy Policy:** If we make any substantial changes in the way we use or disseminate confidential information, we will notify you. If you have any questions concerning this Privacy Policy, please contact us at: Advanced Financial Strategies, LLC, 5 Hubble, Irvine, CA 92618; 949-502-5333.

# AdvancedFinancialStrategies

INTEGRATED WEALTH PLANNING & MANAGEMENT



This brochure supplement provides information about Pierre N. Ngo, Jonathon Nguyen, and Patricia Vasquez. Please contact Pierre N. Ngo at (949) 502-5333 or [pierre@afsplanning.com](mailto:pierre@afsplanning.com) if you have questions about the content of this supplement. Additional information about the firm and its representatives is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).



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## **Educational Background and Business Experience**

**Pierre N. Ngo, CFP®, AEP®, ATA®, EA** (Born in 1966), President

Pierre is the founder of Advanced Financial Strategies, Inc. Mr. Ngo is primarily responsible for the firm's overall practice and all aspects of AFS Investment Management and Research. His multidisciplinary approach and understanding of interrelationships among components that build a client's net worth help him develop strategies that add value to the client's overall financial position.

He works in a team approach with the client's attorneys, accountants, and other professional advisors to design and implement plans that will best meet the client's needs and objectives. Mr. Ngo works with the high-net-worth client, using sophisticated financial planning, estate planning, tax planning, and business planning strategies.

Pierre Ngo is the President and Chief Compliance Officer of AFS, and is a CERTIFIED FINANCIAL PLANNER™ practitioner, an Accredited Estate Planner, an Accredited Tax Advisor, and an Enrolled Agent with the IRS. Mr. Ngo is a graduate of the College for Financial Planning and as well as the University of California, Irvine Extension. He received his Personal Financial Planner designation from the University of California, Irvine Extension and he received his CFP® certification from Certified Financial Planner Board of Standards Inc. He obtained his Certified Fund Specialist certification from the Institute of Business & Finance, his Accredited Tax Advisor certification from the Accreditation Council for Accountancy & Taxation, Inc., and his Accredited Estate Planner accreditation from the National Association of Estate Planners & Councils. Mr. Ngo is a licensed Insurance and Real Estate Broker, and, as an individual, is a registered representative with Capital Synergy Partners a FINRA member broker. Mr. Ngo is also a member of the Financial Planning Association, the National Association of Estate Planners & Councils, and the Orange Coast Estate Planning Council. Mr. Ngo was the sole proprietor of Advanced Financial Strategies until January 1997, when he incorporated AFS. Mr. Ngo has held his current positions with AFS since January 1997..

**Jonathon V. Nguyen, CFP®, AEP®, CMFC®** (Born in 1968), Senior Financial Advisor

Jonathon is responsible for preparing comprehensive financial and estate plans for clients and works on all aspects of AFS Investment Management and Research. He also monitors plans for revision and modifications. He works in a team approach with the client's attorneys, accountants, and other professional advisors to design and implement plans that will best meet the client's needs and objectives.

Jonathon V. Nguyen is a CERTIFIED FINANCIAL PLANNER™ practitioner since 2002, an Accredited Estate Planner, a CHARTERED MUTUAL FUND COUNSELOR<sup>SM</sup> designee, and an Insurance and Real Estate Licensee. Mr. Nguyen is a graduate of the College for Financial Planning and California State University, Long Beach with a Bachelor's degree in Finance. Mr. Nguyen received his CFP® certification from Certified Financial Planner Board of Standards Inc., received his CHARTERED MUTUAL FUND COUNSELOR<sup>SM</sup> designation from the College for Financial Planning, he received his Personal Financial Planner certification from the University of California, Irvine Extension, and his Accredited Estate Planner accreditation from the National Association of Estate Planners & Councils. He is also a member of the Orange Coast Estate Planning Council, and the National Association of Estate Planners & Councils. AFS has employed Mr. Nguyen since 1993.

**Patricia Vasquez, CFP®, AEP®, CMFC®** (Born in 1975), Financial Advisor and Operations Manager

Patricia oversees our office support team. She is also responsible for preparing comprehensive financial and estate plans for clients. She also works on all aspects of AFS investment management and research. She assists our business clients in structuring their group insurance and benefits for their companies. She monitors plans and collaborates with our clients on revisions and modifications. She works in a team approach with the clients' attorneys, accountants, and other professional advisors to design and implement plans that will best meet the clients' needs and objectives. Patricia Vasquez is a graduate of the College for Financial Planning and the University of California, Irvine with a designation of Personal Financial Planner. She is a CERTIFIED FINANCIAL PLANNER™ practitioner since 2006. She has been granted an Accredited Estate Planner designation by the National Associations of Estate Planners & Councils. She is also a CHARTERED MUTUAL FUND COUNSELOR<sup>SM</sup> designee and licensed in insurance. She is a member of the Orange County Estate Planning Council and has been with the firm since 1994.

## **Disciplinary Information**

No employee of Advanced Financial Strategies, Inc. has been convicted, pled guilty or nolo contendere to any felony, a misdemeanor that involved investments or an investment-related business.

No employee of Advanced Financial Strategies is the named subject of a pending criminal proceeding or has been found to have been in a violation of an investment related business, nor has been the subject of any order, judgment, or decree permanently or temporarily enjoining, or otherwise limiting, them from engaging in any investment related business.

There is no disciplinary information to report.

## **Other Business Activity**

Pierre N. Ngo is a registered representative with Capital Synergy Partners a FINRA registered broker-dealer.

Jonathon Nguyen and Patricia Vasquez are not involved in any other investment related business activities.

## **Additional Compensation**

Pierre Ngo is licensed to offer general securities through Capital Synergy Partners, and may receive a customary and reasonable compensation in the form of commissions from Capital Synergy Partners to implement transactions in variable life and variable annuities or other security products.

Pierre Ngo (as an individual) and AFS (doing business as Advanced Financial Strategies & Insurance Services) are both licensed by the California Department of Insurance to sell the insurance products of any insurance company licensed by the State of California. Mr. Ngo would be compensated in the form of commissions for purchases of any insurance product implemented through AFS.

Jonathon Nguyen and Patricia Vasquez do not receive additional compensation.

## **Supervision**

Pierre N. Ngo remains responsible for the supervision of each employee of the firm. This supervision extends to reviewing and monitoring their work and discussing the strategy of each the department. Jonathon Nguyen and Patricia Vasquez report directly to Pierre Ngo. Questions related to the activities of any employee may be directed to Mr. Ngo at (949) 502-5333.

*Additional information about the firm and its representatives is also available on the SEC's website at*

<https://www.adviserinfo.sec.gov/IAPD/default.aspx>