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Form ADV Part 2A



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This brochure provides information about the qualifications and business practices of Level Financial Advisors, Inc. If you have any questions about the contents of this brochure, [please contact us at invest@levelFA.com](mailto:invest@levelFA.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Level Financial Advisors, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

3/11/2024

*SEC registered advisory firms are required to notify their clients annually of the availability of their disclosure documents (ADV). Firms are also required to notify clients of any material changes to their ADV since its last annual registration update. This page contains our notification.*

### **Material Changes to Form ADV Part 2A**

There have been no material changes to this Brochure since the last annual amendment filing dated March 11, 2024.

**ANY QUESTIONS:** Level's Chief Compliance Officer, Bethany Wagner, IACCP®, remains available to address any questions regarding the above changes, or any other issue pertaining to this Brochure.

A full copy of the firm's ADV can be found at [www.levelfa.com/disclosure/](http://www.levelfa.com/disclosure/)

### **Item 4 Advisory Business**

Level Financial Advisors, Inc. is a financial planning and investment management firm. It was formed in 1979. It is owned by Rosanne Braxton, Steven Elwell, Michael Heburn, and Elise Murphy.

We are fiduciaries. Our advisors are obligated to act in the best interest of our clients. If a client is: (1) a participant or beneficiary of a Retirement Plan subject to Title I of the Employee Retirement Income Security Act ("ERISA") or described in section 4975(e)(1)(A) of the Internal Revenue Code (the "Code"), with authority to direct the investment of assets in his or her Plan account or to take a distribution; (2) the beneficial owner of an Individual Retirement Account ("IRA") acting on behalf of the IRA; or, (3) a Retail Fiduciary with respect to a plan subject to Title I of ERISA or described in section 4975(e)(1)(A) of the Code, then Level Financial Advisors represents that it and its investment adviser representatives are fiduciaries under ERISA or the Code, or both, with respect to any investment advice provided by Level Financial Advisors or its investment adviser representatives or with respect to any investment recommendations regarding a Retirement Plan subject to ERISA or participant or beneficiary account.

We supervise investment portfolios for individuals and families, trusts, and non-profit organizations. We also help our clients plan for their retirement, for their children's education, for other life transitions such as changes in career, marriage, divorce, or death, and for the passing of their assets to heirs and charities at death. We offer advice on life, disability, and long-term care insurance, debts, savings accounts, budgeting, and tax management. If a specific client need is beyond our expertise, we help clients find a qualified consultant. If a client permits, we consult with their legal and tax advisers to formulate strategies. If we refer a client to an outside expert, we do not receive any compensation or consideration for such referral.

Level provides discretionary investment advisory services on a *fee-only* basis as discussed at Item 5 below. Before engaging Level to provide investment advisory services, clients are required to enter into an *Investment Advisory Agreement* with Level setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the fee that is due from the client. To commence the investment advisory process, Level will ascertain each client's investment objective(s) and then allocate the client's assets consistent with the client's designated investment objective(s). Once allocated, Level provides ongoing supervision of the account(s). Level's annual investment advisory fee shall generally (exceptions can occur-**see below**) include investment advisory services, and, to the extent specifically requested by the client, financial planning and consulting services. In the event that the client requires extraordinary planning and/or consultation services (to be determined in the sole discretion of Level), Level may determine to charge for such additional services, the dollar amount of which shall be set forth in a separate written notice to the client.

### 401k Services

We may enter into an agreement to provide guidance to the trustee and/or plan sponsor to assist them in managing their fiduciary responsibilities and other activities related to their employee retirement plans. In this capacity, we may attend quarterly meetings, assist in preparation of Investment Policy Statement (IPS), may assist in the selection of investments, monitor client's investments according to the adopted IPS, and participate in employee communications and education programs. The fee charged for this service is a percentage of the plan's assets under management; fee structure is based on the level of service provided and is negotiated on a plan-by-plan basis and defined in a signed agreement with each plan trustee.

We offer each client a portfolio based on our diversified mutual fund models and exchange-traded funds (ETF's) models. Portfolios range from conservative to aggressive. We take into account each client's immediate and future cash needs and tax status when making investment decisions. We select the funds used in each portfolio.

Clients give us discretion to manage their portfolios. As of March 11, 2024 we managed \$620,808,286 in assets for 613 clients on a discretionary basis.

We also provide an automated online platform -- called Blueprint --powered by Charles Schwab that guides clients through the investment management process. The offering is provided to clients with a minimum of \$5,000 in household assets to manage and less than \$250,000. As part of this service, Level Financial Advisors provides an initial financial planning strategy meeting, access to money management tools (MoneyGuide Pro™ and ByAllAccounts®), a digital platform for clients to monitor their performance, and unlimited phone calls and emails to a dedicated financial advisor.

Charles Schwab's system performs automated rebalancing when portfolios drift above or below pre- set tolerance levels for the models that the client is in. Level Financial Advisors employees cannot make individual trades on these accounts. Trading on automated accounts at Charles Schwab can be suspended at any time by Level Financial Advisors during calamitous market situations (e.g. flash crash). Otherwise, trading can only be stopped when accounts are closed by submission of a written request form to Charles Schwab by the client. Tax loss harvesting is offered only after an account reaches \$50,000.

In this automated offering, clients do not receive annual reviews or quarterly performance statements. Clients can, for an hourly fee, receive in-person financial planning advice and other comprehensive planning services offered to non-automated clients.

## MISCELLANEOUS

### Types of Engagement:

Level Financial generally provides the following service options consistent with the client's needs and investable assets:

- **Blueprint**

Entry-level investment management and financial planning services. Clients receive a base financial planning checklist and retirement projection, automated rebalancing platform with Charles Schwab, digital planning tools and unlimited email and phone advice.

- **Foundation**

Comprehensive financial planning and retirement projection, in-person dedicated advisor meetings, unlimited access to advisor, periodic investment management reviews by a team of advisors, access to digital tools and content.

- **Cornerstone**

Two dedicated advisors, in-person review meetings on demand, comprehensive financial planning as well as family financial planning. Access to digital tools, content. Reduced management fees.

- **401K**

Described previously

### Financial Planning and Non-Investment Consulting Services:

Upon commencement of any non-investment engagement, Level Financial Advisors generally provide financial planning and consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. per the terms and conditions of a Financial Planning and Consulting Agreement and a separate fee.

The firm offers three types of financial-planning-only engagements on a limited basis: Pre-Retirement Planning, On-Going Financial Planning and Project-Based Financial Planning.

This limited offering is for clients that do not have investable assets that can be managed by the firm or, from a fiduciary perspective, do not have minimum assets needed to justify our minimum asset-based fee of \$5,750 per year.

**Pre-Retirement Financial Planning** services are offered for \$2,000 per year. Clients must be within 2-5 years of retirement and have retirement assets of greater than \$750,000. To qualify for this service, the client's retirement assets must be held in an employer 401k program or similar investment vehicle that does not allow for rollovers or in-service distributions, which would allow for direct management by the firm. Candidates for this offering would only be considered if a future rollover would be in their best interest, with an expectation that upon retirement, the client graduates to our asset-based full-service offering.

**On-Going Financial Planning** services are offered for \$4,000 per year. This offering does not include investment management execution, (e.g., rebalancing, money movements, execution of requirement minimum distributions and qualified charitable distributions and other service offered in our asset-based service). Clients who qualify for this offering do not have investable assets to justify the firm's minimum fee and are therefore not candidates for our asset-based services. Clients have the option of renewing their on-going engagement on an annual basis.

**Project-Based Financial Planning** services are offered for \$1,000 per engagement. These engagements are limited to specific one-time projects such as retirement projections or specific asset allocation recommendations for 401k plans. This service does not include investment management execution or on-going meetings with a financial advisor. Once the project is complete, the engagement is ended. Clients who qualify for this offering do not have investable assets to justify the firm's minimum fee and are therefore not candidates for our asset-based services.

### **Limitations of Financial Planning and Non-Investment Consulting/Implementation Services.**

To the extent requested by the client, Level will generally provide financial planning and related consulting services regarding matters such as tax and estate planning, insurance, etc. Level will generally provide such consulting services inclusive of its advisory fee set forth at Item 5 below (exceptions could occur based upon assets under management, extraordinary matters, special projects, stand-alone planning engagements, etc. for which Firm may charge a separate or additional fee). **Please Note.** Level believes that it is important for the client to address financial planning issues on an ongoing basis. Level's advisory fee, as set forth at Item 5 below, will remain the same regardless of whether or not the client determines to address financial planning issues with Level. **Please Also Note:** Level **does not** serve as an attorney, accountant, or insurance agent, and no portion of our services should be construed as same. Accordingly, Level **does not** prepare legal documents, prepare tax returns, or sell insurance products. To the extent requested by a client, we may recommend the services of other professionals for non-investment implementation purpose (i.e., attorneys, accountants, insurance, etc.). The client is not under any obligation to engage any such professional(s). The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from Level and/or its representatives. If the client engages any professional (i.e., attorney, accountant, insurance agent, etc.), recommended or otherwise, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from the engaged professional. At all times, the engaged licensed professional[s] (i.e., attorney, accountant, insurance agent, etc.), and **not** Level, shall be responsible for the quality and competency of the services provided.

**Level Financial Advisors, Inc.** ("Adviser") manages investments for clients in advisory accounts and charges a fee to manage accounts. Therefore, in addition to the fees charged by Adviser, the underlying investment (mutual fund, ETF, annuity, or other investment) may also charge a management fee. Custodial and trading fees may also apply. The advisory fees associated with

Adviser managing your IRA will typically be more expensive than the advisory fees that you incur under your current Employer Retirement Plan.

Prior to electing to rollover assets from your current Employer Retirement Plan to an IRA managed by Adviser, listed below are several important considerations:

- The type of investment management desired. For example, is assistance in the management of investments desired on a discretionary or non-discretionary basis; or is a self-managed account preferred?
- Available investment alternatives. Does your plan only permit the selection of certain target date mutual funds? Are you interested in other unavailable investment options?
- The professional advisory assistance available to participants in the current Employer Retirement Plan compared to the advisory services offered by Adviser in an Adviser managed IRA account;
- The cost of plan or account fees and administrative fees associated with remaining in your current Employer Retirement Plan versus the fees and expenses of rolling over your current plan assets to an IRA managed by Adviser;
- Management expenses associated with the underlying investments in an IRA advisory account vs. the underlying investment expenses associated with the current Employer Retirement Plan. Often, the management expenses in the current Employer Retirement Plan are less expensive than in a rollover IRA advisory account;
- Custodial charges in an advised IRA account with Adviser vs. the current Employer Retirement Plan;
- Transaction charges associated with the advised IRA vs. the current Employer Retirement Plan;
- The rules pertaining to the required minimum distributions in the current Employer Retirement Plan when compared to the advised IRA;
- Legal protections afforded to current Employer Retirement Plan participants and to rollover IRA account owners. Employer Retirement Plans have significant liability protection;
- The rules pertaining to beneficiaries of an IRA vs. the current Employer Retirement Plan (inherited accounts).
- The loan provision associated with the current Employer Retirement Plan, if any. IRA accounts do not have loan provisions.
- Employer Retirement Plans that may be available from a new employer.

### **Please Note: Retirement Rollovers-Potential for Conflict of Interest**

A client or prospective client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted, (iii) roll over to an Individual Retirement Account ("IRA"), or (iv) cash out the account value (which could, depending upon the client's age, result in adverse



tax consequences). If Level recommends that a client roll over their retirement plan assets into an account to be managed by Level, such a recommendation creates a **conflict of interest** if Level will earn new (or increase its current) compensation as a result of the rollover. If Level provides a recommendation as to whether a client should engage in a rollover or not (**whether it is from an employer's plan or an existing IRA**), Level is acting as a fiduciary within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. **No client is under any obligation to roll over retirement plan assets to an account managed by Level, whether it is from an employer's plan or an existing IRA.** Level's Chief Compliance Officer, Bethany Wagner, IACCP®, remains available to address any questions that a client or prospective client may have regarding the potential for conflict of interest presented by such rollover recommendation.

### **Charles Schwab & Co., Inc.:**

**Custodian Charges-Additional Fees.** As discussed at Item 12 below, when requested to recommend a broker-dealer/custodian for client accounts, Level generally recommends that Charles Schwab serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as Schwab charge brokerage commissions, transaction, and/or other type fees for effecting certain types of securities transactions (i.e., including transaction fees for certain mutual funds, and mark-ups and mark-downs charged for fixed income transactions, etc.). The types of securities for which transaction fees, commissions, and/or other type fees (as well as the amount of those fees) shall differ depending upon the broker-dealer/custodian (while certain custodians, including Schwab, do not currently charge fees on individual equity transactions, others do). These fees/charges are in addition to Level's investment advisory fee at Item 5 below. Level does not receive any portion of these fees/charges. **ANY QUESTIONS: Level's Chief Compliance Officer, Bethany Wagner, IACCP®, remains available to address any questions that a client or prospective client may have regarding the above.**

### **Please Note: Use of Mutual and Exchange Traded Funds:**

Level utilizes mutual funds and exchange traded funds for its client portfolios. In addition to Level's investment advisory fee described below, and transaction and/or custodial fees discussed below, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g., management fees and other fund expenses).

### **Please Note: Use of DFA Mutual Funds:**

Level utilizes the mutual funds issued by Dimensional Fund Advisors ("DFA"). DFA funds are generally only available through registered investment advisers approved by DFA. Thus, if the client was to terminate Level's services, and transition to another adviser who has not been approved by DFA to utilize DFA funds, restrictions regarding additional purchases of, or reallocation among other DFA funds, will generally apply. **ANY QUESTIONS: Level's Chief Compliance Officer, Bethany Wagner, IACCP®, remains available to address any questions that a client or prospective client may have regarding the above.**



### Portfolio Activity

Level has a fiduciary duty to provide services consistent with the client's best interest. Level will review client portfolios on an ongoing basis to determine if any changes are necessary based upon various factors, including, but not limited to, investment performance, market conditions, fund manager tenure, style drift, account additions/withdrawals, and/or a change in the client's investment objective. Based upon these factors, there may be extended periods of time when Level determines that changes to a client's portfolio are neither necessary, nor prudent. Clients remain subject to the fees described in Item 5 below during periods of account inactivity.

### Please Note: Socially Responsible Investing Limitations.

***Socially Responsible Investing*** involves the incorporation of **Environmental, Social and Governance** considerations into the investment due diligence process ("ESG"). There are potential limitations associated with allocating a portion of an investment portfolio in ESG securities (i.e., securities that have a mandate to avoid, when possible, investments in such products as alcohol, tobacco, firearms, oil drilling, gambling, etc.). The number of these securities may be limited when compared to those that do not maintain such a mandate. ESG securities could underperform broad market indices. Investors must accept these limitations, including potential for underperformance. Correspondingly, the number of ESG mutual funds and exchange traded funds are few when compared to those that do not maintain such a mandate. As with any type of investment (including any investment and/or investment strategies recommended and/or undertaken by Level), there can be no assurance that investment in ESG securities or funds will be profitable, or prove successful.

### Participant-Directed Retirement Plans

Level may also provide investment advisory and consulting services to participant directed retirement plans per the terms and conditions of a Retirement Plan Services Agreement between Level and the plan. For such engagements, Level shall assist the Plan sponsor with the selection of an investment platform from which Plan participants shall make their respective investment choices (which may include investment strategies devised and managed by Level), and, to the extent engaged to do so, may also provide corresponding education to assist the participants with their decision-making process.

### Please Note: Cash Positions

Level continues to treat cash as an asset class. As such, unless determined to the contrary by Level, all cash positions (money markets, etc.) shall continue to be included as part of assets under management for purposes of calculating Level's advisory fee. At any specific point in time, depending upon perceived or anticipated market conditions/events (there being no guarantee that such anticipated market conditions/events will occur), Level may maintain cash positions for defensive purposes. In addition, while assets are maintained in cash, such amounts could miss market advances. Depending upon current yields, at any point in time, Level's advisory fee could exceed the interest paid by the client's money market fund. **ANY QUESTIONS: Level's Chief Compliance Officer, Bethany Wagner, IACCP®, remains available to address any questions that a client or prospective may have regarding the above fee billing practice**

### **Client Obligations**

In performing our services, Level shall not be required to verify any information received from the client or from the client's other professionals, and is expressly authorized to rely thereon. Moreover, it remains each client's responsibility to promptly notify Level if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising our previous recommendations and/or services.

### **Please Note: Investment Risk**

Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by Level) will be profitable or equal any specific performance level(s).

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

Clients are typically charged in two ways: As Financial Planning Clients or Advisory Clients

Advisory Clients are segmented into three distinct service offerings based on their assets under management. These clients are charged a fee as a percentage of assets managed.

Blueprint Segment	UNDER	\$250,000 AUM
Foundation Segment	BETWEEN	\$250,000 - \$1,000,000 AUM
Cornerstone Segment	OVER	\$1,000,000 AUM

For all segments we charge an annualized fee based on the size of a client's managed portfolio, providing greater service options in each segment (more meetings, more complex financial planning, family wealth planning, customized reporting, etc.). A portfolio may consist of a single account or several accounts managed for the same client.

### **Our fee schedule is:**

- 1.15 percent of the first \$500,000.00
- 0.85 percent of the amount between \$500,000.01 and \$1,000,000.00
- 0.5 percent of the amount between \$1,000,000.01 and \$3,000,000.00
- 0.4 percent of the amount between \$3,000,000.01 and \$10,000,000.00
- 0.3 percent of the amount above \$10,000,000.01

For clients with less than \$500,000 in assets, the firm may charge a minimum fee of \$1,437.50 per quarter.

One-quarter of our annual fee is collected from a portfolio in January, April, July, and October. It is based on the value of the managed portfolio on the last day of the previous calendar quarter.

### **Here is an example of our quarterly fee structure:**

Clients John and Mary Smith have three accounts managed by our firm. The three accounts together are worth \$3,500,000 on March 31. Their quarterly fee is calculated this way:

- The first \$500,000 is charged \$1,437.50 (one-quarter of the 1.15 percent annual fee).
- The next \$500,000 is charged \$1,062.50 (one-quarter of the .85 percent annual fee).
- The next \$2,000,000 is charged \$2,500.00 (one-quarter of the 0.5 percent annual fee).
- The remaining \$500,000 is charged \$500 (one-quarter of the 0.4 percent annual fee). Their total fee for the quarter is \$5,500.
- If their account remained at exactly the same value all year, their annual fee would be \$22,000 (0.63 percent on an annual percentage basis).

Clients who were with us before our current fee schedule was adopted may be grandfathered on different schedules. Some pay lower fees than those noted above, or are exempt from fees. We do not charge fees for accounts of principals, or employees, or members of their immediate families.

Our asset-based fees are charged in advance at the beginning of each quarter. This means you will pay a fee for the services we will perform over the next three months. We will send all clients a detailed bill each quarter. Most clients allow us to deduct their fees from their managed accounts by authorizing a limited power of attorney to Level Financial Advisors. However, if a client prefers, fees can be billed directly to the client. Prompt payment by check or ACH is expected.

New clients are charged a prorated fee based on the total number of days remaining in the existing quarter from the day that their funds are invested. For example, a client that has their funds invested on October 22nd will be charged an immediate prorated fee figured in the following manner:

Total Fee (per our stated fee structure) ÷ Total Days in the Quarter X Total Days Remaining in Quarter on Day of Investment.

### Example

John Doe has \$500,000 in invested assets on 10/22. Fee schedule dictates a .2875% charge = \$1,437.50. Daily Prorate Fee = \$1,437.50/92 (the total number of days in the 4th quarter) = \$15.625

\$15.625 X 70 (the total # of remaining days in the quarter) =  
\$1,093.75 Fee = **\$546.88**

New clients with invested assets after the 15th day of the last month in any quarter will not be charged a prorated fee. Billing in these instances will begin on the first day of the following quarter and will not be prorated.

A client may cancel his/her/its relationship with our firm at any time by telephone or in writing. We will refund the full amount of fees if the cancellation comes in the first five days of our relationship. Otherwise, the refund will be calculated on unearned fees within ten days of our receipt of a client's cancellation of service. Refunds are made by check and mailed to clients. For financial-planning-only services, refunds are not provided.

In addition to our quarterly account management fee, mutual funds used by clients charge internal expense fees subtracted from each fund's assets. Clients may also pay a trading fee of \$20 to our custodian, Charles Schwab & Co., to buy or sell a particular mutual fund. Some of the funds we use subsidize that fee so that clients do not pay it directly. Others do not subsidize the fee, requiring clients to pay it, but in those cases, the funds pass on the savings to clients by charging lower expense fees.

The typical fee for trading a stock is \$4.95 for those with household account relationships of \$1 million or more, or those who receive their Schwab reports electronically. All others pay a \$12.95 fee. There are no trading fees for our Blueprint service.

We do not accept compensation for the sale of securities or other investment products from any third party. We are compensated solely from advisory fees charged to our clients.

As stated previously, we offer financial planning and other services to clients who do not have sufficient assets to manage. Further, for some legacy clients who were charged hourly rates in

previous engagements, before the creation of our current services, we offer hourly financial planning for fees that range from \$240 to \$480 per hour, depending on which advisor a client engages.

### **Fee Dispersion**

Level, in its discretion, may charge a lesser investment advisory fee, charge a flat fee, waive its fee entirely, or charge a fee on a different interval, based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, complexity of the engagement, anticipated services to be rendered, grandfathered fee schedules, employees and family members, courtesy accounts, competition, negotiations with client, etc.). **Please Note:** As result of the above, similarly situated clients could pay different fees. In addition, similar advisory services may be available from other investment advisers for similar or lower fees. **Please Also Note:** In the event that the client is subject to an annual minimum fee, the client could pay a higher percentage fee than referenced above. **ANY QUESTIONS: Level's Chief Compliance Officer, Bethany Wagner, IACCP®, remains available to address any questions that a client or prospective client may have regarding advisory fees.**

### **Automated Service (Blueprint)**

We charge a quarterly fee based on the size of a client's managed portfolio. A portfolio may consist of a single account or several accounts managed for the same client.

Clients are charged 1.15% annually. 1/4<sup>th</sup> of the annual fee is collected from automated portfolios each quarter based on the value of the managed portfolio on the last day of the previous quarter. All fees are charged in advance at the beginning of each quarter. For clients with less than \$500,000 in assets, a minimum fee of \$1437.50 is charged each quarter, instead of the asset-based percentage fee.

### **401k Service**

Our fees for 401k services to plan trustees and/or sponsor are based on assets under management and are based on the complexity, size and custom requirements of each plan. A signed agreement with each trustee will outline the fee structure for this service level.

### **Cash Management Service**

Our cash management service is for clients who wish to invest in FDIC-insured certificates of deposit or US treasury bonds only. We establish an agreed upon maximum maturity length and facilitate the purchase of CDs and/or US treasuries based on prevailing interest rates and the client's needs. As securities mature, Level will automatically reinvest the proceeds in new CDs

and/or US treasuries unless instructed otherwise. Clients benefit from accessing Schwab's CD marketplace with offerings from banks all over the country, potentially resulting in higher interest rates than offered by local banks. Clients also benefit from being able to own multiple CDs from multiple banks within one account, making year-end tax reporting significantly easier and potentially increasing the amount of FDIC insurance without having multiple bank accounts. No personal financial planning is included for clients who only have cash management accounts with Level. For this service, Level charges .25% annually to the specific accounts requiring cash management.

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

We do not charge performance-based fees or offer side-by-side management arrangements.

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

We offer investment advice and portfolio management primarily to individuals and families, estates, trusts, and non-profit organizations. We also act as retirement plan advisors for small businesses. Our clients come from all age groups, ranging from infants with education accounts to retirees. We also handle estate accounts for the families of deceased clients.

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

#### **Investment Strategy**

Our firm follows an asset allocation investment strategy.

There are three methods of investing:

1. Market timing, in which an investor buys or sells in an attempt to avoid market declines and take advantage of market gains.
2. Security selection, where an investor analyzes individual securities, sectors, and industries in an attempt to pick superior investments.
3. Asset allocation, in which an investor invests in distinct markets that have different risk and reward characteristics.

We believe academic research has shown that market timing does not work. No mechanical timing system, professional money manager, or money management company has ever demonstrated the ability to consistently predict the movements of investment markets with enough precision to make profitable buy and sell decisions.

Likewise, we believe the academic research has shown that individual security selection does not work. Because crucial investment information is disseminated instantaneously to the market, it is

difficult for one investor to gain an informational advantage over other investors. There is no advantage to having the same information that is available to all investors.

A growing body of academic research indicates that the majority of a portfolio's risk and reward is determined by its allocation among various investment asset classes. The asset classes we use include:

- Large U.S. stocks.
- Small U.S. stocks.
- Stocks of developed international markets, such as Great Britain, Japan, and Germany.
- Stocks of developing international markets, such as China, India, and Brazil.
- Stocks of companies that own commercial real estate.
- U.S. and foreign government bonds.
- U.S. and foreign corporate bonds.
- Short-term money market instruments, such as certificates of deposit, money market mutual funds, and U.S. Treasury Bills.

Each portfolio class is affected in different ways by the general level of economic activity, supply and demand, interest rates, and many other factors. We believe that academic investment research has shown that the combination of asset classes that move in different directions and at different rates can reduce volatility and improve returns over time.

### Risks

Risk-free investments do not exist. There is a variety of risks associated with any investment or investment strategy. Those risks apply to our investment portfolios. They include:

**Market risk:** At any time, broad market movements can affect any and all of the investments we use. Short-term declines in value can be substantial. In past bear markets, some of the equity funds we use have declined by 50 percent or more.

**Inflation risk:** Although some of our investments are selected because they have kept up with, or exceeded, inflation in the past, there is no guarantee that they will continue to do so in the future.

**Asset class risk:** At any time, investors may sell off a particular asset class and this will affect our holdings.

**Interest rate risk:** Our fixed income holdings are affected when interest rates suddenly rise. Their principal value can drop when this happens. Also, when market interest rates fall, the income received from these investments can decline.

Because we use open-end mutual funds for our clients almost exclusively, we think two other general risks are mitigated. One is specific company or security risk: our diversification over



thousands of individual securities limits the impact of significant declines in an individual security linked to issues specific to that security. In the same fashion, we are less affected by sector risk (for instance, the risk associated with investing in the energy industry or the service industry) because we do not concentrate our investments in any one sector.

### **Security Risks:**

We use open-end mutual funds almost exclusively. They offer wide diversification and low cost, and help to minimize individual security and sector risk. However, there are some risks unique to mutual funds. They include:

**Management risk:** Performance may be adversely affected by a sudden change in a fund's manager or management committee.

**Market risk:** A real or perceived problem at a fund may cause investors to sell off at the same time, forcing the fund to liquidate holdings quickly. This may affect performance and may cause unexpected tax bills for investors who hold onto their shares.

**Risk of not adhering to objectives:** We select individual funds whose stated objectives and strategies match our objectives. There is the risk that the fund's management will suddenly stop adhering to objectives and not even tell investors that it has changed investment styles. This has occurred to several funds we have used over the years, forcing us to sell the funds at reduced values.

We also occasionally use exchange-traded funds (ETFs) in our standard accounts. For our Blueprint platform, we use ETF's exclusively. They present several additional potential risks:

**Pricing risk:** Because ETF prices are set partially by investor demand; their prices may be higher or lower than the value of the securities they own.

**Tracking risk:** So-called index ETFs may not accurately track the performance of the investment indexes they are supposed to follow.

**Spread risk:** ETFs that do not have high trading volume may have above-average spreads between bid and asked prices paid by investors.

### **Item 9 Disciplinary Information**

Neither our firm nor anyone in our firm's management has ever been charged with, pleaded guilty or no contest to, or been found guilty in any criminal or civil proceeding involving the investment business, fraud, or any related charge.

Neither our firm nor anyone in our firm's management has ever been disciplined, fined, or suspended by the Securities and Exchange Commission, any state regulatory authority, any self-regulatory authority, or any industry association.

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

We sell our quarterly client letter to other investment advisor firms for use with their clients.

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

#### **Code of Ethics**

Level Financial Advisors has adopted a written code of ethics. We will provide a copy to any prospective or current client upon request. Our ethics code covers the following areas:

**Competence:** Our employees and principals are required to maintain the necessary knowledge and skill to serve clients.

**Diligence, fairness, and impartiality:** Our staff is required to service clients promptly, and to act with fairness, impartiality, intellectual honesty, and integrity toward clients.

**Dignity and courtesy:** All parties our staff comes into contact with are to be treated with dignity and courtesy.

**Confidentiality:** All client information is to be kept confidential, except for these instances:

- Written or verbal permission from client.
- When required by a court of law or its agents.
- When someone has a legal power of attorney granted by our client.

**Conflict of interest:** Any potential conflicts should be disclosed promptly to clients.

**Staff trading:** Our employees generally invest in the same mutual funds and ETFs owned by our clients. All employees and principals must provide the firm quarterly with lists of reportable securities owned or traded by them and by immediate family members residing in their households since the last report.

Employees and principals will not invest in initial public or private placement offerings without first notifying the firm and receiving permission for the purchase.

**Knowledge of violations:** Any employee or principal aware of a violation of these rules must report them to the firm's compliance officer.

All employees are required to read and sign the ethics policy upon beginning employment. The

policy is reviewed by staff and principals at least annually.

### **Participation/Interest in Client Transactions & Personal Trading**

We use our discretionary investment authority over client accounts to purchase only open-end mutual funds, open-end exchange-traded funds, and U.S. Treasury Securities. We do not recommend to clients the purchase of individual equities, bonds, or other instruments.

Employees and principals who wish to buy securities must inform the firm's compliance officer in advance. The compliance officer will review the request to see if it is in conflict with any trades being done for clients. If a conflict exists, the employee or principal will not be allowed to make the trade.

In practice, the firm's employees and principals invest generally in the same open-end mutual funds that the firm uses for its clients.

Employees and principals are required each quarter to provide the firm with information on all reportable investment securities owned or traded within the last quarter by them or by immediate family members residing in their households. Those statements are reviewed by the firm's compliance officer. New employees are required to disclose reportable investment securities within ten days of beginning employment.

### **Item 12 Brokerage Practices**

In the event that a client requests that Level recommend a broker-dealer/custodian for execution and/or custodial services, Level generally recommends that investment advisory accounts be maintained at Charles Schwab & Co., Inc. ("Schwab"). Prior to engaging Level to provide investment management services, the client will be required to enter into a formal Investment Advisory Agreement with Level setting forth the terms and conditions under which Level shall advise on the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that Level considers in recommending Schwab (or any other broker-dealer/custodian to clients) include historical relationship with Level, financial strength, reputation, execution capabilities, pricing, research, and service. Broker-dealers such as Schwab can charge transaction fees for effecting certain securities transactions (**See** Item 4 above). To the extent that a transaction fee will be payable by the client to Schwab, the transaction fee shall be in addition to Level's investment advisory fee referenced in Item 5 above.

To the extent that a transaction fee is payable, Level shall have a duty to obtain best execution for such transaction. However, that does not mean that the client will not pay a transaction fee that is

higher than another qualified broker-dealer might charge to effect the same transaction where Level determines, in good faith, that the transaction fee is reasonable. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, transaction rates, and responsiveness. Accordingly, although Level will seek competitive rates, it may not necessarily obtain the lowest possible rates for client account transactions.

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

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, Level can receive from Schwab (or another broker-dealer/custodian, investment manager, platform sponsor, mutual fund sponsor, or vendor) without cost (and/or at a discount) support services and/or products, certain of which assist Level to better monitor and service client accounts maintained at such institutions. Included within the support services that can be obtained by Level can be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services (including those provided by unaffiliated vendors and professionals), discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support (including client events), computer hardware and/or software and/or other products used by Level in furtherance of its investment advisory business operations. Certain of the benefits that could be received can also assist Level to manage and further develop its business enterprise and/or benefit Level's representatives.

For our Blueprint clients using the Schwab IIP Platform, the firm does not pay SPT (Schwab Performance Technologies) fees for its services in connection with the service, so long as the firm maintains at least \$100 million in client assets in accounts at Charles Schwab. There is no corresponding commitment made by the firm to SPT or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, ETF's, securities, or other investment products as result of this arrangement. Although we do not pay the fees to Schwab, this arrangement could be viewed as a potential conflict of interest in that the firm receives this discount from Schwab for agreeing to transfer assets to its platform. The firm stands by its fiduciary responsibilities in doing what is in the best interest of our clients.

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

Level's clients do not pay more for investment transactions effected and/or assets maintained at Schwab as the result of this arrangement. There is no corresponding commitment made by Level to Schwab, or any other any entity, to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as result of the above arrangement.

**ANY QUESTIONS:** Level's Chief Compliance Officer, Bethany Wagner, IACCP®, remains available to address any questions that a client or prospective client may have regarding the above arrangements and the corresponding conflicts of interest presented by such arrangements.

### Directed Brokerage

Level recommends that its clients utilize the brokerage and custodial services provided by Schwab. The Firm generally does not accept directed brokerage arrangements (but could make exceptions). A directed brokerage arrangement arises when a client requires that account transactions be effected through a specific broker-dealer/custodian, other than one generally recommended by Level (i.e., Schwab). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and Firm will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by Level. As a result, a client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

**Please Note:** In the event that the client directs Level to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through Level. **Please Also Note:** Higher transaction costs adversely impact account performance. **Please Further Note:** Transactions for directed accounts will generally be executed following the execution of portfolio transactions for non-directed accounts.

### Order Aggregation

Transactions for each client account generally will be effected independently, unless Firm decides to purchase or sell the same securities for several clients at approximately the same time. The Firm may (but is not obligated to) combine or "batch" such orders for individual equity transactions (including ETFs) with the intention to obtain better price execution, to negotiate more favorable commission rates, or to allocate more equitably among the Firm's clients differences in prices and commissions or other transaction costs that might have occurred had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. In the event that the Firm becomes aware that a Firm employee seeks to trade in the same security on the same day, the employee transaction will either be included in the "batch" transaction or transacted after all discretionary client transactions have been completed. The Firm shall not receive any additional compensation or remuneration as the result of such aggregation.

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

#### **Our Account Reviews**

We review client accounts periodically throughout the year based on several factors:

1. Periodically after reviewing rebalancing reports from software used by the company to manage allocations
2. To make cash available for distributions.
3. To see if we can make any tax-loss sales in non-retirement accounts at the end of the year. We also check cash levels and allocation.
4. When deposits or withdrawals are made.
5. When new securities are transferred in from outside accounts.
6. When changes are made to a client's asset allocation
7. BLUEPRINT client accounts are rebalanced automatically based on parameters set in the Charles Schwab Institutional Intelligent Portfolios platform.

Reviews are conducted by more than one investment professional, including the client's primary investment manager. The process is reviewed periodically by the firm's Investment Committee as well as the firm's Chief Compliance Officer.

#### **Our Reports to Clients**

For our Foundation and Cornerstone segments, we send reports to our clients at the beginning of each calendar quarter. The reports include a review of portfolio holdings and a recap of portfolio earnings and losses. We also provide interim reports to clients at review meetings. Blueprint clients do not receive reports but have continuous access to a portal with Charles Schwab with real-time performance reporting and access to downloadable monthly statements.

*Holdings:* We generally combine all accounts owned by a client or a family, although we report separately on members of some families due to special circumstances unique to those families. We list each investment, the amount invested, its percentage of the overall portfolio, and identify the account it is held in.

*Performance:* We include information for five time periods - the most recent quarter, year to date, the last three years, the last five years, and from the beginning of our management to date. On interim client meeting reports, we show two time periods - the year to date and from the beginning of management to date. For each time period, we show:

- The portfolio value at the beginning of the time period
- Additions made to the portfolio
- Withdrawals from the portfolio
- The portfolio's value at the end of the time period

- The investment gain or loss in dollars and in percentages (all gains are net of fees and expenses). We report these as time-weighted returns. If cash flows have had a material effect on performance, we will also include an internal rate of return calculation.

We urge clients to check the information we report against the monthly account statements they receive from Charles Schwab and to let us know of any discrepancies.

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

As indicated at Item 12 above, Level can receive from Schwab (and others) without cost (and/or at a discount), support services and/or products. Level's clients do not pay more for investment transactions effected and/or assets maintained at Schwab (or any other institution) as result of this arrangement. There is no corresponding commitment made by Level to Schwab, or to any other entity, to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as the result of the above arrangement. **ANY QUESTIONS: Level's Chief Compliance Officer, Bethany Wagner, IACCP®, remains available to address any questions that a client or prospective client may have regarding the above arrangements and the corresponding conflicts of interest presented by such arrangement.**

If a client is introduced to Level by either an unaffiliated or an affiliated solicitor, Level may pay that solicitor a referral fee in accordance with the requirements of the Investment Advisers Act of 1940, and any corresponding state securities law requirements. Any such referral fee shall be paid solely from Level's investment management fee, and shall not result in any additional charge to the client. If the client is introduced to Level by an unaffiliated solicitor, the solicitor, at the time of the solicitation, shall disclose the nature of his/her/its solicitor relationship, and shall provide each prospective client with a copy of Level's written Brochure, together with a copy of a separate written disclosure statement from the solicitor to the client disclosing the terms of the solicitation arrangement between Level and the solicitor, including the compensation to be received by solicitor from Level.

**ANY QUESTIONS:** Level's Chief Compliance Officer, Bethany Wagner, IACCP®, remains available to address any questions that a client or prospective client may have regarding the above arrangements.

### **Item 15 Custody**

Level shall have the ability to deduct its advisory fee from the client's custodial account. Clients are provided with written transaction confirmation notices, and a written summary account statement directly from the custodian (i.e., Schwab, etc.) at least quarterly. **Please Note:** To the extent that Level provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by Level with the account statements received from the account



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

In addition, certain clients have established asset transfer authorizations that permit the qualified custodian to rely upon instructions from Level to transfer client funds or securities to third parties. These arrangements are disclosed at Item 9 of Part 1 of Form ADV. However, in accordance with the guidance provided in the SEC's February 21, 2017 *Investment Adviser Association* No-Action Letter, the affected accounts are not subject to an annual surprise CPA examination. **ANY**

**QUESTIONS: Level's Chief Compliance Officer, Bethany Wagner, IACCP®, remains available to address any questions that a client or prospective client may have regarding custody-related issues.**

**Item 16 Investment Discretion**

We accept discretionary authority to manage our clients' accounts. This gives us the authority to pick specific investments for client accounts, to decide how much of a client's money to put into each investment, and to time the purchase and sale of each investment.

When a client opens a new account or accounts at Charles Schwab & Co., he will initial a limited power of attorney on Schwab's account form allowing Level Financial Advisors to buy and sell securities in his account, to disburse funds held in the Schwab account to accounts of identical registration at banks, brokerages, investment companies and other financial institutions, or to remit checks to a client's address of record.

A new client and an investment manager at Level Financial Advisors spend time analyzing the client's needs and goals and jointly agree on a general plan to reach those goals. The investment manager then recommends a diversified mutual fund allocation from one of the firm's portfolio models. Once the client and investment manager have agreed upon an allocation, they determine whether the client will need cash available for withdrawals, and examine the client's income tax exposure. The investment manager will construct a portfolio based on the allocation model, and will modify it as necessary to minimize future taxation and to provide cash for planned periodic or one-time withdrawals.

From then on, the investment manager will follow the asset allocation model selected by the client. However, the investment manager reserves the right to deviate from the model allocation in extraordinary circumstances if it appears to be in the client's best interests.

**Item 17 Voting Client Securities**

We do not accept the authority to vote on issues related to our clients' securities. Clients receive all voting materials and proxies from Charles Schwab & Co. Clients may contact us if they have questions and we will do our best to answer questions about such issues.

**Item 18 Financial Information**

We are not required to provide a balance sheet because we do not require prepayment of fees that total more than \$1,200 per client six or more months in advance and we do not have custody of client funds or securities.

**Item 19 Requirements for State-Registered Advisers**

This section does not apply to our firm.

**ANY QUESTIONS: Level's Chief Compliance Officer, Bethany Wagner, IACCP®, remains available to address any questions regarding this Part 2A.**