



## LifeSteps Financial, Inc.

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### Form ADV, Part 2A Brochure

March 22, 2024

This brochure provides information about the qualifications and business practices of LifeSteps Financial, Inc. If you have any questions about the contents of this brochure, please contact us at 909-267-3770. 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.

Any reference to or use of the terms “registered investment adviser” or “registered,” does not imply that LifeSteps Financial, Inc. or any person associated with LifeSteps Financial, Inc. has achieved a certain level of skill or training. Additional information about LifeSteps Financial, Inc. is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## ITEM 2 - MATERIAL CHANGES

The purpose of this page is to inform you of any material changes to this brochure. If you are receiving this brochure for the first time this section may not be relevant to you.

LifeSteps Financial, Inc. (“LifeSteps”) reviews and updates our brochure at least annually to make sure that it remains current. We made the following material changes to our brochure with the annual update, dated March 22, 2024:

***Item 4 – Advisory Business, Item 12 – Brokerage Practices, and Item 14 – Client Referrals and Other Compensation***

- We changed the custodial brokers that we recommend for custody of client accounts and execution of transactions.

***Item 4 – Advisory Business and Item 5 – Fees and Compensation***

- We added a sub-advisory management platform and short-term cash management to our service offerings.

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## ITEM 4 - ADVISORY BUSINESS

### Description of Advisory Firm

LifeSteps Financial, Inc. (“LifeSteps,” “we,” “our,” or “us”) is a privately owned Corporation headquartered in Claremont, California. In 2009, Henry Ford co-founded Foothill Financial Advisors, Inc. (“Foothill”). In 2010, Foothill registered as an investment adviser with the U.S. Securities and Exchange Commission. In 2017, Foothill changed its entity name to LifeSteps Financial, Inc. LifeSteps offers investment advisory and financial planning services to individuals, families, trusts, and businesses.

### Fiduciary Duty

Registered investment advisers are considered fiduciaries under federal law. Our fiduciary duty carries with it an obligation to act in the best interest of our clients pursuant to a relationship of trust and confidence. It encompasses a *duty of care* and a *duty of loyalty*.

### *Duty of Care*

The duty of care includes, among other things,

1. the duty to provide advice that is in the best interest of the client;
2. the duty to seek best execution of a client’s transactions where the adviser has the responsibility to select broker-dealers to execute client trades; and
3. the duty to provide advice and monitoring over the course of the relationship.

The duty to provide advice suitable to each client based on a reasonable understanding of the client’s objectives is a critical component of the duty of care. Providing suitable advice includes making a reasonable inquiry into the client’s financial situation, investment experience, and financial goals and then updating this information as necessary throughout the course of the relationship to reflect the client’s changing objectives over time and adjusting the advice we provide to reflect any changed circumstances.

When LifeSteps has the responsibility to select broker-dealers to execute client trades in discretionary accounts, we seek to trade such that the client’s total cost or proceeds in each transaction are the most favorable under the circumstances. In doing so, we consider the full range and quality of a broker’s services and so the determinative factor is not necessarily the lowest possible commission cost but whether the transaction represents the best qualitative execution. Moreover, we periodically and systematically evaluate the execution we receive on behalf of our clients.

Our duty of care includes an obligation to provide advice and monitoring at a frequency that is in the best interest of the client, taking into account the scope of the agreed relationship. This scope is indicated by the duration and nature of the services as outlined in each client’s advisory arrangement and extends to all personalized advice provided to clients.

### *Duty of Loyalty*

LifeSteps adheres to a duty of loyalty where we seek to serve the best interests of our clients and never subordinate the interests of our clients to our own. Simply put, LifeSteps cannot place its own interests ahead of the interests of our clients. In observance of this duty, we must make full and fair disclosure to clients of all material facts relating to the advisory relationship. Further, we also seek to eliminate or at

least expose through full and fair disclosure all conflicts of interest which might incline LifeSteps, consciously or unconsciously, to render advice that is not disinterested. We believe that in order for disclosure to be full and fair, it should be sufficiently specific so that each client is able to understand the material fact or conflict of interest and make an informed decision whether to provide consent. Consequently, we provide this ADV 2A brochure to all prospective clients at or before entering into a contract so that they can use the information within to decide whether or not to enter into an advisory relationship.

## **Advisory Services Offered**

LifeSteps offers the following services to advisory clients:

### *Investment Advisory Services*

LifeSteps offers advice to clients regarding asset allocation and the selection of investments. Our investment advisory services are generally inclusive of financial planning, asset allocation, and portfolio management services. We design, implement, and provide continued monitoring of client portfolios. LifeSteps will invest the account on a fully discretionary basis, limited only by the client's individual needs and any restrictions imposed on the account.

LifeSteps' recommendations for new investments will primarily include exchange-traded funds (ETFs). Additionally, LifeSteps' recommendations, depending on the individual investment objectives and needs of the client may include:

1. Equity securities, including stocks and foreign securities listed on US exchanges (ADRs)
2. Fixed income securities, including corporate, government, and municipal bonds, commercial paper, and certificates of deposit (CDs)
3. Mutual funds
4. Securities with Equity and Debt Characteristics, including convertible bonds, preferred stocks, or other preferred securities
5. Real estate investment trusts (REITs)

LifeSteps also occasionally offers advice regarding additional types of investments if they are appropriate to address the individual needs, goals, and objectives of the client or in response to client inquiry. LifeSteps may also offer investment advice on any investment held by the client at the start of the advisory relationship. We describe the material investment risks for many of the securities that we recommend under the heading ***Specific Security Risks*** in ***Item 8*** below.

We discuss our discretionary authority below under ***Item 16 - Investment Discretion***. For more information about the restrictions clients can put on their accounts, see ***Tailored Services and Client Imposed Restrictions*** in this item below. We describe the Fees charged for investment management services below under ***Item 5 - Fees and Compensation***.

### *Short-Term Cash Management*

LifeSteps also offers short-term cash management services to high net worth clients. This service utilizes short-term investments including but not limited to certificates of deposit (CDs), money market funds,

and treasuries with the goal of keeping assets in a liquid and safe environment to accommodate clients' short-term needs.

### *Non-Discretionary Accounts*

LifeSteps also offers investment advisory services to clients on a non-discretionary basis. For these clients LifeSteps will contact the client before making recommendations it deems appropriate for the client. See also **Item 16 – Investment Discretion** below.

### *Financial Planning Services*

LifeSteps offers a range of financial planning services, from broad planning to custom planning focused on specific areas requested by the client as part of the client's overall Investment Advisory Service. We do not charge separate fees for financial planning services provided to clients.

As part of the financial planning process, LifeSteps collects information about the client's financial situation and needs, which may include net worth, income, expenses, taxes, investments, retirement plans, life insurance, disability insurance, health insurance, long term care insurance, business agreements, divorce papers, pre-nuptial agreements, estate documents, and any other documents that pertain to their overall financial picture. In addition, LifeSteps asks the client about their future goals and objectives. LifeSteps then develops a personalized plan including specific recommendations in all applicable areas.

LifeSteps also works with the client to provide advice regarding particular aspects of the client's financial situation. Areas of focus might include:

1. Preparing for or living in retirement
2. Investment strategies
3. Estate planning strategies
4. Income tax planning
5. Stock option analysis and planning
6. Insurance: life, disability, medical, long-term care insurance
7. Family savings and cash flow planning
8. Education planning and funding
9. Charitable gifting
10. Debt management
11. Employee benefit usage
12. Other, as determined between LifeSteps and the client

Our investment management clients sometimes receive a written financial plan. However, our financial planning services do not include preparation of any kind of income tax, gift, or estate tax returns nor preparation of any legal documents, including wills or trusts.

### *Bill Payment and Reconciliation Service*

LifeSteps facilitates payment of our billpay clients' monthly bills and obligations. We obtain the client's consent verbally or via email before paying any bills, especially any that are new or unfamiliar to our firm. We make bill payments via check or electronic transfer at the client's discretion. Henry Ford,



Principal, is solely responsible for signing all checks. The client retains access to all of their bank accounts and receives monthly bank statements via physical mail or electronic delivery. Clients are required to provide us with copies of their monthly bank statements, which we reconcile with all payments on a monthly basis.

### *Sub-Advisory Services*

Clients can also access the investment management services of unaffiliated third party money managers through a sub-advisory program offered through 55IP, LLC ("55IP "). 55IP is a separately managed account (SMA) provider offered through Fidelity Institutional Wealth Services ("Fidelity").

### *Limitations on Investments*

*In some circumstances, LifeSteps' advice is limited to certain types of securities.*

#### *Limitation by Plan Sponsor/Employer*

In the event LifeSteps is managing assets within a retirement plan such as 401(k), 529 plans, or other employer plan, LifeSteps is limited to those investment providers and investment options chosen by the plan administrator. Similarly, when we provide services to participants in an employer-sponsored plan, the participant is generally limited to investing in securities included in the plan's investment options. Therefore, LifeSteps can only make recommendations to the client from among the available options and will not recommend or invest the client's account in other securities, even if there may be better options elsewhere.

#### *Limitation by Type of Security*

##### *Limitation on Equities*

Generally, LifeSteps utilizes equity-related ETFs rather than investing in individual equity securities. However, there may be instances when we make the determination that an individual equity security is more appropriate than equity-related ETFs investment options available. We also hold individual positions as an accommodation to clients.

##### *Mutual Fund Limitations*

##### *No Load Mutual Funds*

LifeSteps generally limits recommendations of mutual funds to no load funds or equivalent investment products.

##### *Limitation by Custodian*

There are also limitations on the mutual funds that we recommend. All clients establish brokerage accounts with Schwab Institutional®, a division of Charles Schwab & Co., Inc. ("Schwab") or Fidelity Institutional Wealth Services ("Fidelity"), registered broker-dealers, Members SIPC. LifeSteps is limited to the mutual funds available through Schwab/Fidelity.

### *Limitation by Client*

LifeSteps will also limit advice based on certain client-imposed restrictions. For more information about the restrictions clients can put on their accounts, see ***Tailored Services and Client Imposed Restrictions*** in this Item below.

### *Non-managed Assets*

With respect to investment management services, LifeSteps will only be responsible for the supervision and management of securities we recommend. LifeSteps will not be responsible for the supervision or management of non-managed assets. Non-managed assets typically include securities held in a client's account that is under management with LifeSteps that were:

1. Delivered into the account by the client;
2. Purchased by the client;
3. Purchased by LifeSteps at the request of the client as an accommodation; or
4. Designated by the client to be non-managed securities by written notification.

### *Rollover Recommendations*

A conflict of interest arises when LifeSteps makes recommendations about plan distributions and rollovers ("rollover recommendations"), if it results in LifeSteps receiving compensation that it would not have received absent the recommendation, for example, fees for advising a rollover IRA. LifeSteps will manage this conflict through a process designed to develop an informed recommendation in the best interest of the client. No client is under an obligation to roll over ERISA plan or IRA assets to an account advised by LifeSteps.

The rollover recommendations occur in two scenarios. The first is where LifeSteps is serving as a fiduciary adviser to a private sector retirement plan, for example, a 401(k) plan. In that case, the rollover recommendation is fiduciary advice under both the Investment Advisers Act of 1940 (Advisers Act) and the Employee Retirement Income Security Act (ERISA). In addition to being a conflict of interest as described above, it is also a prohibited transaction under ERISA where LifeSteps receives compensation from the rollover IRA that is greater than the compensation, if any, being received from the participant's account in the plan. In that circumstance, LifeSteps will comply with the conditions of exceptions to the prohibited transaction rules (e.g., a prohibited transaction exemption or non-enforcement policy). The second scenario is where LifeSteps is not providing ERISA fiduciary advisory services to the plan. In that case, a rollover recommendation is not a prohibited transaction under ERISA, but it is a conflict of interest under the Advisers Act because of the compensation received by LifeSteps from the rollover IRA.

## **Tailored Services and Client Imposed Restrictions**

LifeSteps manages client accounts based on the investment strategy as discussed below under ***Item 8 - Methods of Analysis, Investment Strategies, and Risk of Loss***. LifeSteps applies the strategy for each client, based on the client's individual circumstances and financial situation. We make investment decisions for clients based on information the client supplies about their financial situation, goals, and risk tolerance. Our recommendations may be limited if the client does not provide us with accurate and

complete information. It is the client's responsibility to keep LifeSteps informed of any changes to their investment objectives or restrictions.

Clients may also request other restrictions on the account, such as when a client needs to keep a minimum level of cash in the account or does not want LifeSteps to buy or sell certain specific securities or security types in the account. LifeSteps reserves the right to not accept and/or terminate management of a client's account if we feel that the client-imposed restrictions would limit or prevent us from meeting or maintaining the client's investment strategy.

## Wrap Fee Programs

LifeSteps does not manage accounts as part of a wrap or bundled fee program.

## Assets Under Management

LifeSteps manages client assets in both discretionary and non-discretionary accounts on a continuous and regular basis. As of December 31, 2023, the total amount of assets under our management was:

Discretionary Assets	\$256,939,684
Non-Discretionary Assets	\$58,454,441
<b>Total Assets</b>	<b>\$315,394,125</b>

## ITEM 5 - FEES AND COMPENSATION

### Fee Schedule

#### Investment Advisory Services

LifeSteps charges advisory fees for investment management services. LifeSteps' advisory fees are charged based on a percentage of the market value of the portfolio, per the following schedule:

<u>Assets Under Management</u>		<u>Annual Fee</u>
<u>From</u>	<u>To</u>	
\$0	\$1,000,000	1.00%
\$1,000,001	\$3,000,000	0.75%
\$3,000,001+		Negotiable

Once the portfolio reaches a breakpoint, LifeSteps bills all assets under management in the portfolio at the lower rate. Some accounts are under different fee schedules honoring prior agreements. LifeSteps reserves the right to negotiate all fees and terms with clients. At LifeSteps' discretion, services are provided without charge to employees and their family members, and in other limited circumstances, which sometimes include accounts containing all cash and smaller accounts managed as a courtesy to existing clients. LifeSteps aggregates related account balances of clients within the same household for purposes of achieving the advisory fee breakpoints listed above.

## *Short-Term Cash Management*

Short-term cash management services are billed at a negotiable annual rate not to exceed 0.25%. At its discretion, LifeSteps may waive fees for this service. Clients open a separate account to custody positions held for short-term cash management purposes. We do not apply fee rates for short-term cash management services to cash balances in investment advisory services accounts managed on a long-term basis.

## *Bill Payment and Reconciliation Service*

The minimum fee for this service is \$5,000 annually, which is negotiable at LifeSteps' discretion. We determine the fee based on the number of anticipated transactions and accounts requiring reconciliation.

## **Billing Method**

### *Investment Advisory Services*

LifeSteps' advisory fees for investment advisory clients are billed 3 months in advance. Our fees are based on the market value of the assets in the account as of the last business day of the client's prior quarterly schedule. The formula used for the calculation is as follows:  $(Annual\ Rate) \times (Total\ Assets\ Under\ Management\ at\ Month\ End) / 4$ .

For new investment advisory clients, the initial fees will be invoiced at the beginning of the first full month under management and for three months in advance. The market value will be based on the assets in the account as of the month-end when assets are transferred. Some accounts are billed under different methodologies honoring prior agreements.

LifeSteps generally aggregates client accounts that have family relationships with each other for purposes of calculating the advisory fees applicable to each client.

With client authorization, LifeSteps will automatically withdraw LifeSteps' advisory fee from the client's account held by an independent custodian. Typically, the custodian withdraws advisory fees from the client's account during the first month of each quarter based on LifeSteps' instruction. All clients will receive brokerage statements from the custodian no less frequently than quarterly. The custodian statement will show the deduction of the advisory fee. The custodian will not determine whether the fee is properly calculated. It is the client's responsibility to verify the accuracy of the fee calculation.

## *Bill Payment and Reconciliation Service*

LifeSteps' fees for the Bill Payment and Reconciliation Service are payable quarterly in advance at the beginning of each calendar quarter. We charge one fourth of the fixed annual fee rate each quarter. We will send an invoice to all clients that is payable upon receipt.

### *Sub-Advisory Services*

LifeSteps receives our standard fee as described above for assets managed through outside advisers through Fidelity's 551P platform. Fees paid to outside managers for sub-advisory services under Fidelity's 551P platform are paid by Fidelity. Clients are not charged a fee beyond LifeSteps' standard advisory fees.

## Other Fees and Expenses

LifeSteps' fees do not include custodian fees. Clients pay all brokerage commissions, stock transfer fees, and/or other similar charges incurred in connection with transactions in accounts, from the assets in the account. These charges are in addition to the fees the client pays to LifeSteps. See **Item 12 - Brokerage Practices** below for more information.

In addition, any mutual fund shares held in a client's account are subject to fund-related expenses, which depending on the fund may include deferred sales charges and 12b-1 fees. Generally, LifeSteps does not purchase funds with deferred sales charges/12b-1 fees; however, they sometimes apply when selling legacy positions brought in by clients. The fund's prospectus fully describes the fees and expenses. All fees paid to LifeSteps for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds. Mutual funds pay advisory fees to their managers, which are indirectly charged to all holders of the mutual fund shares. Consequently, clients with mutual funds in their portfolios are effectively paying both LifeSteps and the mutual fund manager for the management of their assets.

## Termination

Either party may terminate the advisory agreement at any time by providing written notice to the other party. The client may terminate the agreement at any time by writing LifeSteps at our office. LifeSteps will refund any prepaid, unearned advisory fees based on the effective date of termination. Upon termination of the agreement, we will send the client a prorated refund of unearned advisory fees using the following formula:  $(Fees\ Paid) \times (Days\ Remaining\ in\ Period) / (Total\ Number\ of\ Days\ in\ Period)$ .

## Other Compensation

LifeSteps does not accept compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

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

LifeSteps does not charge performance-based fees or other fees based on a share of capital gains or capital appreciation of a client's assets.

## ITEM 7 - TYPES OF CLIENTS

LifeSteps offers discretionary and/or non-discretionary investment advisory services, financial planning services, and bill payment and reconciliation services to individuals, high net worth individuals, trusts and estates, and individual participants of retirement plans. In addition, we offer advisory services to pension and profit sharing plans, charitable organizations, and businesses.

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

### Methods of Analysis and Investment Strategies

We believe that asset allocation and diversification are the two most important principles of investing. Our investment strategy is to seek real capital growth proportionate with the level of risk the client is willing to take. LifeSteps treats each client account uniquely. Generally, we assist our clients to develop an investment profile. This profile typically outlines the client's investment objectives, time horizon, risk tolerance, tax considerations, target asset allocation, and income needs. LifeSteps will then make recommendations that are consistent with the client's investment profile.

LifeSteps chooses each client's asset allocation based on their attitudes about risk and need for capital appreciation or income. Different instruments involve different levels of exposure to risk. Within each investment category, LifeSteps selects individual securities with characteristics that are most consistent with the client's objectives. We deal with any client restrictions on an account-by-account basis.

Since LifeSteps treats each client account uniquely, client portfolios with similar investment objectives and asset allocation goals sometimes own different securities. Timing and tax factors also influence LifeSteps' investment decisions. Clients who buy or sell securities on the same day often receive different prices.

When changes are necessary in the model allocations, discretionary portfolio allocations are generally traded and rebalanced before non-discretionary portfolios.

#### Methods of Analysis for Selecting Securities

LifeSteps generally uses various sources of information to inform our selection of securities, including but not limited to data provided by Schwab/Fidelity, Morningstar, Argus Research Group, and/or Standard & Poor's. On rare occasions, LifeSteps also use fundamental analysis and/or technical analysis in the selection of individual securities. Fundamental analysis typically involves analysis of financial statements, the general financial health of companies, and /or the analysis of management or competitive advantages. Technical analysis is an effort to determine market trends, logical profit objectives, and exit points.

#### *ETFs*

In analyzing ETFs, we generally review liquidity, expense ratios, and how performance compares to a specific index.

#### *Mutual Funds*

In analyzing mutual funds, we review key characteristics such as historical performance, consistency of returns, risk level, and size of fund.

#### *Equity Funds*

Regarding equity mutual funds, we review key characteristics such as historical performance, consistency of returns, risk level, and/or size of fund. Expense ratio and other costs are also significant factors in fund selection.

### *Debt Securities (Fixed Income)*

LifeSteps relies on credit rating agencies such as Standard & Poor's to help determine the financial strength of issuing creditors. We also use prospectuses and other relevant information from bond underwriters to help in analysis and selection of fixed income securities.

### *Investment Strategies for Managing Portfolios*

LifeSteps primarily uses Modern Portfolio Theory to manage portfolios. We also utilize tactical asset allocation, cash as a strategic asset, and believe in long-term holding strategies when constructing and managing client portfolios.

### *MPT*

LifeSteps uses the Modern Portfolio Theory, which has a basic concept of using diversification in an effort to help optimize the risk and potential return of a portfolio.

### *Tactical Asset Allocation*

LifeSteps often uses tactical asset allocation strategies in the management of client accounts. Tactical asset allocation is an active management portfolio strategy that re-balances the percentage of assets held in various asset categories in an effort to take advantage of market pricing anomalies or strong market sectors. This strategy provides an opportunity for LifeSteps to create extra value by taking advantage of certain situations in the marketplace. LifeSteps considers this a moderately active strategy since we return the portfolio to its original strategic asset mix if we achieve desired short-term profits, or the perceived opportunity ends. There is no guarantee that this strategy will be successful, and we make no promises or warranties as to the accuracy of our market analysis.

### *Cash as a Strategic Asset*

LifeSteps often uses cash as a strategic asset and may at times move or keep a client's assets in cash or cash equivalents. LifeSteps makes no guarantees, promises, or warranties as to the accuracy of our market analysis.

### *Long-term Holding*

LifeSteps does not generally purchase securities for clients with the intent to sell the securities within 30 days of purchase, as LifeSteps does not use short-term trading as an investment strategy. However, upon rare occasions, there may be times when LifeSteps will sell a security for a client when the client has held the position for less than 30 days.

## **Investing Involves Risk**

Prior to entering into an agreement with LifeSteps, the client should carefully consider:

1. That investing in securities involves risk of loss which clients should be prepared to bear;
2. That securities markets experience varying degrees of volatility;
3. That over time the client's assets will fluctuate and at any time be worth more or less than the amount invested; and
4. That clients should only commit assets that they feel are currently unneeded and available to LifeSteps for investment on a long-term basis. This is typically a minimum of five to seven years.

## Specific Security Risks

### General Risks of Owning Securities

The prices of securities held in client accounts and the income they generate can decline in response to certain events taking place around the world. These include events directly involving the issuers of securities held as underlying assets of mutual funds in a client's account, conditions affecting the general economy, and overall market changes. Other contributing factors include local, regional, or global political, social, or economic instability and governmental or governmental agency responses to economic conditions. Finally, currency, interest rate, and commodity price fluctuations also affect security prices and income.

### Exchange-Traded Funds (ETFs)

An ETF is a type of Investment Company (usually, an open-end fund or unit investment trust) containing a basket of stocks, equity, and/or fixed income investments. Typically, the objective of an ETF is to achieve the same return as a particular market index, including sector indexes. An ETF is similar to an index fund in that it will primarily invest in securities of companies that are included in a selected market. Unlike traditional mutual funds, which can only be redeemed at the end of a trading day, ETFs trade throughout the day on an exchange. Like stock mutual funds, the prices of the underlying securities and the overall market affect ETF prices. Similarly, factors affecting a particular industry segment affect ETF prices that track that particular sector.

### Equity Securities

Equity securities represent an ownership position in a company. Equity securities typically consist of common equity and/or fixed income investments. The prices of stocks and the income they generate (such as dividends) fluctuate based on events specific to the company that issued the shares, conditions affecting the general economy and overall market changes, changes or weakness in the business sector the company does business in, and other factors. Further, prices of these securities can be affected by financial contracts held by the issuer or third parties (such as derivatives) relating to the security or other assets or indices.

There may be little trading in the secondary market for particular equity securities, which can adversely affect the ability to value accurately or dispose of those equity securities. Adverse publicity and investor perceptions, whether or not based on fundamental analysis, can decrease the value and/or liquidity of equity securities.

### Debt Securities (Bonds)

Issuers use debt securities to borrow money. Generally, issuers pay investors periodic interest and repay the amount borrowed either periodically during the life of the security and/or at maturity. Alternatively, investors can purchase other debt securities, such as zero coupon bonds, which do not pay current interest, but rather are priced at a discount from their face values and their values accrete over time to face value at maturity. The market prices of debt securities fluctuate depending on such factors as interest rates, credit quality, and maturity. In general, market prices of debt securities decline when interest rates rise and increase when interest rates fall. The longer the time to a bond's maturity, the greater its interest rate risk.



Certain additional risk factors relating to debt securities include:

#### Reinvestment Risk

When interest rates are declining, investors have to reinvest their interest income and any return of principal, whether scheduled or unscheduled, at lower prevailing rates.

#### Inflation Risk

Inflation causes tomorrow's dollar to be worth less than today's; in other words, it reduces the purchasing power of a bond investor's future interest payments and principal, collectively known as "cash flows." Inflation also leads to higher interest rates, which in turn leads to lower bond prices.

#### Interest Rate and Market Risk

Debt securities are generally sensitive to economic changes, political and corporate developments, and interest rate changes. Investors can also expect periods of economic change and uncertainty, which can result in increased volatility of market prices and yields of certain debt securities. For example, prices of these securities can be affected by financial contracts held by the issuer or third parties (such as derivatives) relating to the security or other assets or indices.

#### Call Risk

Debt securities sometimes contain redemption or call provisions entitling their issuers to redeem them at a specified price on a date prior to maturity. If an issuer exercises these provisions in a lower interest rate market, the account would have to replace the security with a lower yielding security, resulting in decreased income to investors.

Usually, a bond is called at or close to par value. This subjects investors that paid a premium for their bond to a risk of lost principal. In reality, prices of callable bonds are unlikely to move much above the call price if lower interest rates make the bond likely to be called.

#### Credit Risk

If the issuer of a debt security defaults on its obligations to pay interest or principal or is the subject of bankruptcy proceedings, the account will typically incur losses or expenses in seeking recovery of amounts owed to it.

#### Liquidity and Valuation Risk

There may be little trading in the secondary market for particular debt securities, which can adversely affect the account's ability to value accurately or dispose of such debt securities. Adverse publicity and investor perceptions, whether or not based on fundamental analysis, can decrease the value and/or liquidity of debt securities.

It may be possible to reduce the risks described above through diversification of the client's portfolio and by credit analysis of each issuer, as well as by monitoring broad economic trends and corporate and legislative developments, but there can be no assurance that we will be successful in doing so. Credit ratings for debt securities provided by rating agencies reflect an evaluation of the safety of principal and interest payments, not market value risk. The rating of an issuer is a rating agency's view of past and future potential developments related to the issuer and may not necessarily reflect actual outcomes. There can be a lag between the time of developments relating to an issuer and the time a rating is assigned and updated.

Bond rating agencies assign modifiers (such as +/-) to ratings categories to signify the relative position of a credit within the rating category. Unless we state otherwise, clients should include any security within that category without considering the modifier when reading their investment policies based on ratings categories.

### *Mutual Funds (Open-end Investment Company)*

A mutual fund is a company that pools money from many investors and invests the money in stocks, bonds, short-term money-market instruments, other securities or assets, or some combination of these investments. The portfolio of the fund consists of the combined holdings it owns. Each share represents an investor's proportionate ownership of the fund's holdings and the income those holdings generate. The price that investors pay for mutual fund shares is the fund's per share net asset value (NAV) plus any shareholder fees that the fund imposes at the time of purchase (such as sales loads).

The benefits of investing through mutual funds include:

#### Professionally Managed

Mutual funds are professionally managed by an investment adviser who researches, selects, and monitors the performance of the securities that the fund purchases.

#### Diversification

Mutual funds typically have the benefit of diversification, which is an investing strategy that generally sums up as "Don't put all your eggs in one basket." Spreading investments across a wide range of companies and industry sectors can help lower the risk if a company or sector fails. Some investors find it easier to achieve diversification through ownership of mutual funds rather than through ownership of individual stocks or bonds.

#### Affordability

Some mutual funds accommodate investors who do not have a lot of money to invest by setting relatively low dollar amounts for initial purchases, subsequent monthly purchases, or both.

#### Liquidity

At any time, mutual fund investors can readily redeem their shares at the current NAV, less any fees and charges assessed on redemption.

Mutual funds also have features that some investors might view as disadvantages:

#### Costs Despite Negative Returns

Investors must pay sales charges, annual fees, and other expenses regardless of how the fund performs. Depending on the timing of their investment, investors often also have to pay taxes on any capital gains distribution they receive. This includes instances where the fund went on to perform poorly after purchasing shares.

#### Lack of Control

Investors typically cannot ascertain the exact make-up of a fund's portfolio at any given time, nor can they directly influence which securities the fund manager buys and sells or the timing of those trades.

## Price Uncertainty

With an individual stock, investors can obtain real-time (or close to real-time) pricing information with relative ease by checking financial websites or by calling a broker or your investment adviser. Investors can also monitor how a stock's price changes from hour to hour—or even second to second. By contrast, with a mutual fund, the price at which an investor purchases or redeems shares will typically depend on the fund's NAV, which the fund might not calculate until many hours after the investor placed the order. In general, mutual funds must calculate their NAV at least once every business day, typically after the major U.S. exchanges close.

## Different Types of Funds

When it comes to investing in mutual funds, investors have literally thousands of choices. Most mutual funds fall into one of three main categories; money market funds, bond funds (also called “fixed income” funds), and stock funds (also called “equity” funds). Each type has different features and different risks and rewards. Generally, the higher the potential return, the higher the risk of loss.

### *Money Market Funds*

Money market funds have relatively low risks, compared to other mutual funds (and most other investments). By law, they can invest in only certain high quality, short-term investments issued by the U.S. Government, U.S. corporations, and state and local governments. Money market funds try to keep their net asset value (NAV), which represents the value of one share in a fund, at a stable \$1.00 per share. However, the NAV may fall below \$1.00 if the fund's investments perform poorly. Investor losses have been rare, but they are possible. Money market funds pay dividends that generally reflect short-term interest rates, and historically the returns for money market funds have been lower than for either bond or stock funds. That is why “inflation risk,” the risk that inflation will outpace and erode investment returns over time, can be a potential concern for investors in money market funds.

### *Bond Funds*

Bond funds generally have higher risks than money market funds, largely because they typically pursue strategies aimed at producing higher yields. Unlike money market funds, the SEC's rules do not restrict bond funds to high quality or short-term investments. Because there are many different types of bonds, bond funds can vary dramatically in their risks and rewards.

Some of the risks associated with bond funds include:

#### Credit Risk

There is a possibility that companies or other issuers will fail to pay their debts (including the debt owed to holders of their bonds). Consequently, this affects the mutual funds that hold these bonds. Credit risk is less of a factor for bond funds that invest in insured bonds or U.S. Treasury Bonds. By contrast, those that invest in the bonds of companies with poor credit ratings generally will be subject to higher risk.

#### Interest Rate Risk

There is a risk that the market value of the bonds will go down when interest rates go up. Because of this, investors can lose money in any bond fund, including those that invest only in insured bonds or U.S. Treasury Bonds. Funds that invest in longer-term bonds tend to have higher interest rate risk.

## *Stock Funds*

Although a stock fund's value can rise and fall quickly (and dramatically) over the short term, historically stocks have performed better over the long term than other types of investments. This is true for corporate bonds, government bonds, and treasury securities. Overall "market risk" poses the greatest potential danger for investors in stocks funds. Stock prices can fluctuate for a broad range of reasons—such as the overall strength of the economy or demand for particular products or services. Not all stock funds are the same.

## *Tax Consequences of Mutual Funds*

When investors buy and hold an individual stock or bond, the investor must pay income tax each year on the dividends or interest the investor receives. However, the investor will not have to pay any capital gains tax until the investor actually sells and makes a profit. Mutual funds are different. When an investor buys and holds mutual fund shares, the investor will owe income tax on any ordinary dividends in the year the investor receives or reinvests them. Moreover, in addition to owing taxes on any *personal capital gains* when the investor sells shares, the investor often has to pay taxes each year on *the fund's capital gains*. That is because the law requires mutual funds to distribute capital gains to shareholders if they sell securities for a profit that cannot be offset by a loss.

## *Securities with Equity and Debt Characteristics*

Some securities have a combination of equity and debt characteristics. These securities may at times behave more like equity than debt or vice versa. Some types of convertible bonds, preferred stocks, or other preferred securities automatically convert into common stocks or other securities at a stated conversion ratio, and some can be subject to redemption at the option of the issuer at a predetermined price. These securities, prior to conversion, may pay a fixed rate of interest or a dividend. Because convertible securities have both debt and equity characteristics, their values vary in response to many factors, including the values of the securities into which they are convertible, general market and economic conditions, and convertible market valuations, as well as changes in interest rates, credit spreads and the credit quality of the issuer.

These securities may include hybrid securities, which also have equity and debt characteristics. Such securities are normally at the bottom of an issuer's debt capital structure. As such, they can be more sensitive to economic changes than more senior debt securities. Investors may also view these securities as more equity-like by the market when the issuer or its parent company experience financial problems.

The prices and yields of nonconvertible preferred securities or preferred stocks generally move with changes in interest rates and the issuer's credit quality, similar to the factors affecting debt securities. Nonconvertible preferred securities may be treated as debt for account investment limit or asset allocation purposes.

## *Real Estate Investment Trusts (REIT)*

Securities issued by real estate investment trusts (REITs) primarily invest in real estate or real estate-related loans. Equity REITs own real estate properties, while mortgage REITs hold construction, development and/or long-term mortgage loans. Changes in the value of the underlying property of the trusts, the creditworthiness of the issuer, property taxes, interest rates, tax laws, and regulatory requirements, such as those relating to the environment all can affect the values and liquidity of REITs.

Both types of REITs are dependent upon management skill, the cash flows generated by their holdings, the real estate market in general, and the possibility of failing to qualify for any applicable pass-through tax treatment or failing to maintain any applicable exemptive status afforded under relevant laws.

### Cash and Cash Equivalents

Client accounts often hold cash or invest in cash equivalents. Cash equivalents include:

1. commercial paper (for example, short-term notes with maturities typically up to 12 months in length issued by corporations, governmental bodies or bank/corporation sponsored conduits (asset-backed commercial paper));
2. short-term bank obligations (for example, certificates of deposit, bankers' acceptances (time drafts on a commercial bank where the bank accepts an irrevocable obligation to pay at maturity)) or bank notes;
3. savings association and savings bank obligations (for example, bank notes and certificates of deposit issued by savings banks or savings associations);
4. securities of the U.S. government, its agencies or instrumentalities that mature, or may be redeemed, in one year or less; and
5. corporate bonds and notes that mature, or that may be redeemed, in one year or less.

Cash and cash equivalents are the most liquid of investments. Cash and cash equivalents are considered very low-risk investments, meaning there is little risk of losing the principal investment. Typically, low risk also means low return and the interest an investor can earn on this type of investment is low relative to other types of investing vehicles.

## **Other Risks**

### Cybersecurity

Information and technology systems can be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltrations by unauthorized persons and security breaches, usage errors by its professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes, and earthquakes. Although we have implemented various measures to manage risks relating to these types of events, if these systems are compromised, or become inoperable for extended periods of time, or cease to function properly, we may have to make a significant investment to fix or replace them. The failure of these systems can cause significant interruptions in our operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to clients. Such a failure could potentially harm our reputation, subject us to legal claims, and otherwise have an adverse impact on our ability to perform advisory functions.

### Pandemics and Other Public Health Crises

Pandemics and other health crises, such as the outbreak of an infectious disease such as severe acute respiratory syndrome, avian flu, H1N1/09 flu and COVID-19 or any other serious public health concern, together with any resulting restrictions on travel or quarantines imposed, could have a negative impact on the economy, and business activity in any of the areas in which client investments may be located. Such disruption, or the fear of such disruption, could have a significant and adverse impact on the

securities markets, lead to increased short-term market volatility or a significant market downturn, and can have adverse long-term effects on world economies and markets generally.

## **Financial Planning**

The financial planning tools LifeSteps uses to create financial plans for clients rely on various assumptions, such as estimates of inflation, risk, economic conditions, and rates of return on security asset classes. Return assumptions generally reflect asset class returns instead of actual investment returns, and do not always include fees or expenses that clients would pay if they invested in some specific products.

Financial planning software is only a tool used to help guide LifeSteps and the client in developing an appropriate plan, and we cannot guarantee that clients will achieve the results shown in the plan. Results will vary based on the information provided by the client regarding the client's assets, risk tolerance, and personal information. Changes to the program's underlying assumptions or differences in actual personal, economic, or market outcomes will generally impact client results.

Clients should carefully consider the assumptions and limitations of the financial planning software and should discuss the results of the plan with us before making any changes to their investments or financial plan. If the financial plan includes recommendations for investing in securities, you should understand that investing in securities involves risk of loss, and you should be prepared to bear that risk.

## **ITEM 9 - DISCIPLINARY INFORMATION**

LifeSteps and our personnel seek to maintain the highest level of business professionalism, integrity, and ethics. LifeSteps does not have any disciplinary information to disclose.

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

### **Chairman of the Board of Unaffiliated Bank**

Henry Ford is the Chairman of the Board of Directors of an unaffiliated bank located in Huntsville, Alabama (the "Bank"). Currently, LifeSteps has no business dealings with the Bank, and neither the Bank nor LifeSteps actively offers any of the Bank's services to clients of LifeSteps. Should any such banking services be offered to clients in the future, they will be offered solely on ordinary and customary terms and conditions. We do not believe that serving as Chairman of the Board of Directors of the Bank, in itself, creates a material conflict of interest or presents a time burden on Mr. Ford's required duties to LifeSteps and its clients.

### **Agent of Unaffiliated Real Estate Broker**

M'Lissa Swift is licensed as an independent real estate agent, as described in her 2B Supplement appended to this brochure. In this capacity, she can recommend real estate services to LifeSteps' clients and receive separate, yet customary, commission compensation resulting from related purchases and sales. Miss Swift conducts this activity in her sole and separate capacity and not as a service offered through LifeSteps. Further, any real estate commissions earned are separate and in addition to LifeSteps' advisory fees. Clients are under no obligation to act upon any Associate's real estate-related

recommendations or effect any transactions through the Associate should they decide to follow suggestions received.

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

### **Code of Ethics**

LifeSteps believes that we owe clients the highest level of trust and fair dealing. As part of our fiduciary duty, we place the interests of our clients ahead of the interests of the firm and our personnel.

LifeSteps' personnel are required to conduct themselves with integrity at all times and follow the principles and policies detailed in our Code of Ethics.

LifeSteps' Code of Ethics attempts to address specific conflicts of interest that either we have identified or that could likely arise. LifeSteps' personnel are required to follow clear guidelines from the Code of Ethics in areas such as gifts and entertainment, other business activities, and adherence to applicable federal securities laws. LifeSteps prohibits all personnel from acting upon any material, non-public information, as defined under federal securities laws and our Code of Ethics insider trading policy. Additionally, individuals who make securities recommendations to clients, or who have access to nonpublic information regarding any clients' purchase or sale of securities, are subject to personal trading policies governed by the Code of Ethics (see below).

LifeSteps will provide a complete copy of the Code of Ethics to any client or prospective client upon request.

### **Personal Trading Practices**

In some cases, LifeSteps and our personnel purchase or sell securities for themselves, regardless of whether the transaction would be appropriate for the client account. LifeSteps and our personnel generally do not purchase or sell securities for themselves that we also recommend to clients. This includes related securities (e.g., warrants, options, or futures). This presents a potential conflict of interest where we would have an incentive to take investment opportunities from clients for our own benefit, favor our personal trades over client transactions when allocating trades, or to use the information about the transactions we intend to make for clients to our personal benefit by trading ahead of clients.

Our policies to address these conflicts include the following:

1. LifeSteps' personnel seek to confirm that they do not personally benefit from the short-term market effects of their recommendations to clients and their personal transactions are regularly monitored.
2. LifeSteps' personnel must generally place transactions in personal accounts after placing similar transactions in client accounts on a given day.
3. Conflicts of interest also arise when LifeSteps' personnel become aware of Limited Offerings or IPOs, including private placements or offerings of interests in limited partnerships or any thinly

traded securities, whether public or private. Given the inherent potential for conflict, Limited Offerings and IPOs demand extreme care. LifeSteps' personnel are required to obtain pre-approval from the Chief Compliance Officer before trading in these types of securities.

4. For non-discretionary clients, LifeSteps will contact the client to make recommendation(s) it deems appropriate for the client. LifeSteps will not effect the transaction until it receives verbal or written instructions from the client.

## ITEM 12 - BROKERAGE PRACTICES

### The Custodian and Brokers We Use

Clients must maintain assets in an account at a "qualified custodian," generally a broker-dealer or bank. We require that our clients use Charles Schwab & Co., Inc. ("Schwab"), or Fidelity Institutional Wealth Services ("Fidelity"), registered broker-dealers, members SIPC, as the qualified custodian. We are independently owned and operated, and unaffiliated with Schwab/Fidelity. Schwab/Fidelity will hold the client's assets in a brokerage account and buy and sell securities when we instruct them to.

While we require that clients use Schwab/Fidelity as custodian/broker, the client will decide whether to do so and will open the account(s) with Schwab/Fidelity by entering into an account agreement directly with them. We do not open accounts for clients, although we often assist in doing so.

#### How We Select Brokers/Custodians

We seek to recommend a custodian/broker who will hold our clients' assets and execute transactions on terms that are, overall, most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others:

1. Combination of transaction execution services and asset custody services (generally without a separate fee for custody)
2. Capability to execute, clear, and settle trades (buy and sell securities for clients' accounts)
3. Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
4. Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds [ETFs], etc.)
5. Availability of investment research and tools that assist us in making investment decisions
6. Quality of services
7. Competitiveness of the price of those services (commission rates and other fees) and willingness to negotiate the prices
8. Reputation, financial strength, and stability
9. Prior service to us and our other clients
10. Availability of other products and services that benefit us, as discussed below (see ***Products and Services Available to Us From Schwab/Fidelity***)



### Brokerage and Custody Costs

For our clients' accounts that Schwab/Fidelity maintains, Schwab/Fidelity generally does not charge the client separately for custody services. However, Schwab/Fidelity receives compensation by charging the client commissions or other fees on trades that it executes or that settle into Schwab/Fidelity accounts. This commitment benefits the client because the overall commission rates paid are lower than they would be otherwise. We have determined that having Schwab/Fidelity execute most trades is consistent with our duty to seek "best execution" of our clients' trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above (see ***How We Select Brokers/Custodians***).

### Products and Services Available to Us from Schwab/Fidelity

Schwab Advisor Services™ and Fidelity Institutional Wealth Services are Schwab's/Fidelity's businesses serving independent investment advisory firms like us. They provide LifeSteps and our clients with access to its institutional brokerage, trading, custody, reporting, and related services, many of which are not typically available to Schwab/Fidelity retail customers. Schwab/Fidelity also makes available various support services. Some of those services help us manage or administer our clients' accounts; others help us manage and grow our business. Schwab's/Fidelity's support services generally are available on an unsolicited basis (we don't have to request them) and at no charge to us.

Following is a more detailed description of Schwab's/Fidelity's support services:

#### *Services That Benefit Clients*

Schwab's/Fidelity's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab/Fidelity include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Schwab's/Fidelity's services described in this paragraph generally benefit clients and their accounts.

#### *Services That May Not Directly Benefit Clients*

Schwab/Fidelity also makes available to us other products and services that benefit us but may not directly benefit clients and their accounts. These products and services assist us in managing and administering our clients' accounts. They include investment research, both Schwab's/Fidelity's own and that of third parties. We may use this research to service all or a substantial number of our clients' accounts, including accounts not maintained at Schwab/Fidelity. In addition to investment research, Schwab/Fidelity also makes available software and other technology that:

1. Provide access to client account data (such as duplicate trade confirmations and account statements)
2. Facilitate trade execution and allocate aggregated trade orders for multiple client accounts
3. Provide pricing and other market data
4. Facilitate payment of our fees from our clients' accounts
5. Assist with back-office functions, recordkeeping, and client reporting

## *Services That Generally Benefit Only Us*

Schwab/Fidelity also offers other services intended to help us manage and further develop our business enterprise. These services include:

1. Educational conferences and events (which may include Schwab/Fidelity paying for related travel expenses, entertainment and meals associated with attending)
2. Consulting on technology, compliance, legal, and business needs
3. Publications and conferences on practice management and business succession
4. Access to employee benefits providers, human capital consultants, and insurance providers

Schwab/Fidelity provides some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab/Fidelity also discounts or waives its fees for some of these services or pays all or a part of a third party's fees. Schwab/Fidelity may also provide us with other benefits, such as occasional business entertainment for our personnel.

## *Our Interest in Schwab's/Fidelity's Services*

The availability of these services from Schwab/Fidelity benefits us because we do not have to produce or purchase them. These services are not contingent upon us committing any specific amount of business to Schwab/Fidelity in trading commissions. This gives us an incentive to recommend that clients maintain accounts with Schwab/Fidelity, based on our interest in receiving Schwab's/Fidelity's services that benefit our business rather than based on clients' interest in receiving the best value in custody services and the most favorable execution of their transactions, which is a conflict of interest. We believe, however, that our selection of Schwab/Fidelity as custodian and broker remains in the best interests of our clients when compared to available alternatives.

LifeSteps primarily support our selection of Schwab/Fidelity by the scope, quality, and price of Schwab's/Fidelity's services (see ***How We Select Brokers/Custodians***, above) and not Schwab's/Fidelity's services that benefit only us.

## *Brokerage for Client Referrals*

LifeSteps does not receive client referrals from any broker-dealer or third party in exchange for using that broker-dealer or third party.

## *Directed Brokerage*

LifeSteps does not allow clients to direct LifeSteps to use a specific broker-dealer to execute transactions. Clients must use Schwab/Fidelity to work with us. Not all investment advisers require their clients to trade through specific brokerage firms. Since we require most\* of our clients to maintain their accounts with Schwab/Fidelity, it is also important for clients to consider and compare the significant differences between having assets custodied at another broker-dealer, bank, or other custodian prior to opening an account with us. Some of these differences include, but are not limited to; total account costs, trading freedom, transaction fees/commission rates, and security and technology services. By requiring clients to use the broker-dealers that LifeSteps recommends, we believe that we are able to more effectively manage the client's portfolio, achieve favorable execution of client transactions, and overall lower the costs to the portfolio.

\*LifeSteps generally will not require a broker-dealer/custodian to individuals in existing employer-sponsored plan accounts.

## **Aggregation and Allocation of Transactions**

LifeSteps will aggregate transactions if we believe that aggregation is consistent with the duty to seek best execution for our clients and is consistent with the disclosures made to clients and terms defined in the client investment advisory agreement. No advisory client will be favored over any other client, and each account that participates in an aggregated order will participate at the average share price (per custodian) for all transactions in that security on a given business day.

LifeSteps does not aggregate the trades of our personnel with those of client accounts. Instead, LifeSteps' personnel place transactions in personal accounts after placing similar transactions in client accounts on a given day. As a result, transactions in personal accounts may receive better or worse pricing than client trades in like positions.

## **ITEM 13 - REVIEW OF ACCOUNTS**

### **Account Reviews**

Henry Ford, Chief Financial Officer, Jorden Bastien, Senior Financial Advisor, and M'Lissa Swift, Financial Planner, review all client accounts. We manage portfolios on a continuous basis and generally review positions in client accounts at least quarterly. Accounts are reviewed for consistency with the investment strategy and overall performance. Reviews can be triggered by changes in an account holder's personal, tax, or financial status. Macroeconomic and company specific events may also trigger reviews.

### **Account Reporting**

Each client receives a written statement from the custodian that includes an accounting of all holdings and transactions in the account for the reporting period. In addition, LifeSteps provides investment advisory clients with web-based access to performance reports either quarterly, semi-annually, or annually depending on the frequency agreed upon with the client. If requested in writing by the client, LifeSteps will mail a hard copy of these performance reports to clients.

Depending on the client's financial circumstances, LifeSteps generally provides financial and asset allocation plans initially and annually thereafter.

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

### **Schwab/Fidelity Support Products and Services**

We receive an economic benefit from Schwab/Fidelity in the form of the support products and services it makes available to us and other independent investment advisors whose clients maintain their accounts at Schwab/Fidelity. These products and services, how they benefit us, and the related conflicts of interest are described above (see **Item 12 – Brokerage Practices**). We do not base particular

investment advice, such as buying particular securities for our clients, on the availability of Schwab's/Fidelity's products and services to us.

### Professional Referrals

LifeSteps refers clients to unaffiliated professionals for a variety of services such as insurance, mortgage brokerage, real estate sales, tax planning & preparation and estate planning. In turn, these professionals often refer clients to LifeSteps. We do not have any agreements with individuals or companies that we refer clients to, and we do not receive any compensation for these referrals. However, it could be concluded that LifeSteps is receiving an indirect economic benefit by referring clients to such unaffiliated professionals, as the relationships are mutually beneficial. For example, there could be an incentive for us to recommend the services of firms who refer clients to LifeSteps.

LifeSteps only refers clients to professionals we believe are competent and qualified in their field. It is ultimately the client's responsibility to evaluate the provider. We will generally provide the client with a list of professionals that the client can contact, and it is solely the client's decision whether or not to engage a recommended firm. Clients are under no obligation to purchase any products or services through these professionals, and LifeSteps has no control over the services provided by another firm. Clients who choose to engage these professionals will sign a separate agreement with the other firm. Fees charged by the other firm are separate from and in addition to fees charged by LifeSteps.

If the client desires, LifeSteps will work with these professionals or the client's other advisors (such as an accountant and/or attorney) to help ensure that the provider understands the client's financial plan and/or investments and coordinate services for the client. LifeSteps will never share information with an unaffiliated professional unless first authorized by the client.

## **ITEM 15 - CUSTODY**

LifeSteps has custody of certain clients' assets, such as when a client engages us for Bill Payment and Reconciliation Services. LifeSteps has put controls in place, in compliance with federal rules, to protect clients' assets over which we have custody. An independent qualified custodian (generally a broker-dealer, bank, trust company, or other financial institution) holds each client's assets – LifeSteps does not act as custodian for any client. The custodian, at least quarterly, sends account statements directly to the client or client's independent representative. In addition, an independent accountant conducts annual surprise examinations of client accounts over which LifeSteps has custody.

LifeSteps is also deemed to have custody of clients' funds or securities when clients have standing authorizations with their custodian to move money from a client's account to a third-party ("SLOA") and under that SLOA authorize us to designate the amount or timing of transfers with the custodian. The SEC has set forth a set of standards intended to protect client assets in such situations, which we follow.

LifeSteps also has limited custody of our clients' funds or securities when clients authorize us to deduct our management fees directly from the client's account. As mentioned above, clients' accounts are held by independent qualified custodians who send statements directly to the client at least quarterly. The statements will reflect the client's funds and securities held with the qualified custodian as well as any transactions that occurred in the account, including the deduction of LifeSteps' fee. Clients should carefully review the account statements they receive from their qualified custodian. When clients

receive statements from LifeSteps as well as from the qualified custodian, clients should compare these two reports carefully. Clients with any questions about their statements should contact us at the address or phone number on the cover of this brochure. Clients who do not receive their statement from their qualified custodian at least quarterly should also notify us.

## ITEM 16 - INVESTMENT DISCRETION

For discretionary accounts, LifeSteps has full discretion to decide the specific security to trade, the quantity, and the timing of transactions for client accounts. LifeSteps will not contact clients before placing trades in their account, but clients will receive confirmations directly from the broker for any trades placed. Clients grant us discretionary authority in the contracts they sign with us. Clients also give us trading authority over their accounts when they sign the custodian paperwork.

However, certain client-imposed conditions may limit LifeSteps' discretionary authority, such as where the client prohibits transactions in specific security types. See also **Item 4 - Tailored Services and Client Imposed Restrictions** above.

For non-discretionary accounts, LifeSteps will contact the client before making recommendations it deems appropriate for the client. Non-discretionary clients should be aware that recommendations are typically time sensitive, and the following circumstances can cause market movements to work against the client:

1. LifeSteps will not effect the transaction until it receives verbal or written instructions from the client;
2. LifeSteps generally will not aggregate transactions for non-discretionary accounts with discretionary accounts; and
3. Transactions for non-discretionary accounts will generally be effected after transactions in discretionary accounts.

## ITEM 17 - VOTING CLIENT SECURITIES

### Proxy Voting

LifeSteps does not accept or have the authority to vote client securities. LifeSteps will not be deemed to have proxy voting authority solely as a result of providing advice or information about a particular proxy vote to a client. Clients will receive their proxies or other solicitations directly from their custodian or a transfer agent.

### *ERISA*

For accounts subject to ERISA, an authorized plan fiduciary other than LifeSteps will retain proxy voting authority. Our investment advisory agreement and/or the plan's written documents will evidence and outline this authority.

### *Mutual Funds*

The investment adviser that manages the assets of a registered investment company (i.e., mutual fund) generally votes proxies issued on securities held by the mutual fund.

### *Class Actions*

LifeSteps does not instruct or give advice to clients on whether or not to participate as a member of class action lawsuits and will not automatically file claims on the client's behalf. However, if a client notifies us that they wish to participate in a class action, we will provide the client with any transaction information pertaining to the client's account needed for the client to file a proof of claim in a class action.

## **ITEM 18 - FINANCIAL INFORMATION**

Registered investment advisers are required in this item to provide clients with certain financial information or disclosures about the firm's financial condition. LifeSteps does not require the prepayment of more than \$1,200 in fees per client, six months or more in advance, does not foresee any financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients, and has not been the subject of a bankruptcy proceeding.

# Form ADV, Part 2B Brochure Supplement

Individuals covered by this supplement:

**Henry Ford**  
**Jorden Bastien**  
**M'Lissa Swift**

LifeSteps Financial, Inc.  
250 West 1<sup>st</sup> Street  
Suite 248  
Claremont, CA 91711  
909-267-3770

March 22, 2024

This brochure supplement provides information about Henry Ford, Jorden Bastien, and M'Lissa Swift that supplements the LifeSteps Financial, Inc. brochure. You should have already received a copy of that brochure. Please contact Henry Ford at the above telephone number if you did not receive our brochure or if you have any questions about the contents of this supplement. Additional information about the above named individuals is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

# Henry Ford

## ITEM 2 - EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE

**Henry Ford**, Principal, Chief Financial Officer, Chief Compliance Officer, born 1969

### *Education:*

- Attended University of Southern California, Business / Finance program, 1990 to 1993
- Attended University of Riverside, CFP Financial Planning Program, 1988

### *Business Background:*

- LifeSteps Financial, Inc. (previously Foothill Financial Advisors, Inc.), Co-Founder, Principal, CFO, CCO, 06/2010 to present
- Concert Wealth Management, Inc. Investment Adviser Representative, 09/2009 to 08/2010
- Morgan Stanley Smith Barney, Financial Advisor, 06/2009 to 08/2009
- Citigroup Global Markets, Inc., Financial Advisor, 03/2001 to 06/2009
- TD Waterhouse, Complex Manager, 03/1996 to 03/2001

## ITEM 3 - DISCIPLINARY INFORMATION

Henry Ford has no disciplinary history to disclose.

## ITEM 4 - OTHER BUSINESS ACTIVITIES

Henry Ford's primary business is providing investment advice through LifeSteps. Mr. Ford also serves as the Chairman of the Board of Directors of a bank, as described in **Item 10 of Form ADV, Part 2A**. He spends approximately 4 hours per month on this activity.

## ITEM 5 - ADDITIONAL COMPENSATION

Henry Ford's primary compensation comes from his regular salary and ownership of LifeSteps. In addition, he earns nominal compensation as the Chairman of the Board of Directors of a bank.

## ITEM 6 - SUPERVISION

Henry Ford is the Principal of LifeSteps and is not supervised by any other individual.



## **Jorden Bastien**

### **ITEM 2 - EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE**

**Jorden Bastien**, Senior Financial Advisor, born 1978

#### *Education:*

- Attended San Diego State University and completed some coursework in the Master of Arts, Economics program, 2003
- San Diego State University, Bachelor of Arts, Economics, 2002

#### *Business Background:*

- LifeSteps Financial, Inc., Senior Financial Advisor, 04/2020 to present
- LifeSteps Financial, Inc. (previously Foothill Financial Advisors, Inc.), Financial Advisor, 05/2012 to 04/2020
- Paychex, Inc., Senior Sales Consultant, 03/2004 to 04/2012

### **ITEM 3 - DISCIPLINARY INFORMATION**

Jorden Bastien has no disciplinary history to disclose.

### **ITEM 4 - OTHER BUSINESS ACTIVITIES**

Jorden Bastien's primary business is providing investment advice through LifeSteps.

### **ITEM 5 - ADDITIONAL COMPENSATION**

Jorden Bastien's primary compensation comes from his regular salary at LifeSteps.

### **ITEM 6 - SUPERVISION**

Henry Ford, Principal, is responsible for supervising Jorden Bastien's activities. Henry Ford monitors the advice provided by Jorden Bastien for consistency with client objectives and LifeSteps' policies. Henry Ford can be reached by calling 909-267-3770.

## **M'Lissa Swift**

### **ITEM 2 - EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE**

**M'Lissa Swift**, Financial Planner, born 1987

*Education:*

- Attended California State Polytechnic University, Pomona from 2005 to 2008; majored in Architecture

*Business Background:*

- LifeSteps Financial, Inc., Financial Planner, 01/2020 to present
- Realty Masters & Associates, Broker Associate, 03/2022 to present
- Realty Masters & Associates, Real Estate Agent, 01/2021 to 03/2022
- Realty One Group West, Real Estate Agent, 07/2014 to 01/2021

### **ITEM 3 - DISCIPLINARY INFORMATION**

M'Lissa Swift has no disciplinary history to disclose.

### **ITEM 4 - OTHER BUSINESS ACTIVITIES**

In addition to providing investment advice through LifeSteps, M'Lissa Swift engages in real estate sales as a Broker Associate of Realty Masters & Associates. She spends approximately 80 hours per month on this activity.

### **ITEM 5 - ADDITIONAL COMPENSATION**

M'Lissa Swift's primary compensation comes from her regular salary at LifeSteps. In addition, she earns additional compensation through real states sales commissions.

### **ITEM 6 - SUPERVISION**

Henry Ford, Principal, is responsible for supervising M'Lissa Swift's activities. Henry Ford monitors the advice provided by M'Lissa Swift for consistency with client objectives and LifeSteps' policies. Henry Ford can be reached by calling 909-267-3770.

## FACTS

### WHAT DOES LIFESTEPS FINANCIAL, INC. DO WITH YOUR PERSONAL INFORMATION?

#### Why?

Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this notice carefully to understand what we do.

#### What?

The types of personal information we collect and share depend on the product or service you have with us. This information can include:

- Social Security number and income
- account balances and transaction history
- assets and risk tolerance

When you are *no longer* our customer, we continue to share your information as described in this notice.

#### How?

All financial companies need to share customers' personal information to run their everyday business. In the section below, we list the reasons financial companies can share their customers' personal information; the reasons LifeSteps Financial, Inc. chooses to share; and whether you can limit this sharing.

Reasons we can share your personal information	Does LifeSteps Financial, Inc. share?	Can you limit this sharing?
<b>For our everyday business purposes -</b> as permitted by law	YES	NO
<b>For our marketing purposes -</b> to offer our products and services to you	YES	NO
<b>For joint marketing with other financial companies</b>	NO	We Don't Share
<b>For our affiliates' everyday business purposes -</b> information about your transactions and experiences	NO	We Don't Share
<b>For our affiliates' everyday business purposes -</b> information about your creditworthiness	NO	We Don't Share
<b>For nonaffiliates to market to you</b>	NO	We Don't Share

#### Questions?

Call 909-267-3770 or go to [www.lifestepsfinancial.com](http://www.lifestepsfinancial.com)

## WHO WE ARE

**Who is providing this notice?**

**LifeSteps Financial, Inc.**

## WHAT WE DO

**How does LifeSteps Financial, Inc. protect my personal information?**

To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include computer safeguards and secured files and buildings.

**How does LifeSteps Financial, Inc. collect my personal information?**

We collect your personal information, for example, when you

- seek advice about your investments
- enter into an investment advisory contract
- tell us about your investment or retirement portfolio
- tell us about your investment or retirement earnings
- give us your contact information.

**Why can't I limit all sharing?**

Federal law gives you the right to limit only:

- sharing for affiliates' everyday business purposes - information about your creditworthiness
- affiliates from using your information to market to you
- sharing for nonaffiliates to market to you

State laws and individual companies may give you additional rights to limit sharing.

## DEFINITIONS

**Affiliates**

Companies related by common ownership or control. They can be financial and nonfinancial companies.

- *LifeSteps Financial, Inc. has no affiliates.*

**Nonaffiliates**

Companies not related by common ownership or control. They can be financial and non-financial companies.

- *LifeSteps Financial, Inc. does not share with nonaffiliates so they can market to you.*

**Joint Marketing**

A formal agreement between nonaffiliated financial companies that together market financial products or services to you.

- *LifeSteps Financial, Inc. doesn't jointly market.*