



**Source Financial Advisors, LLC**

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**March 28, 2024**

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**Form ADV Part 2A  
Brochure**

This brochure provides information about the qualifications and business practices of Source Financial Advisors, LLC. If you have any questions about the contents of this brochure, please contact us at (212) 273-0409. 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 Source Financial Advisors, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) by searching CRD #164825.

Please note that the use of the term "registered investment adviser" and description of our firm and/or our associates as "registered" does not imply a certain level of skill or training.

## Item 2: Material Changes

Source is required to notify clients of any information that has changed since the last annual update of the Firm Brochure ("Brochure") that may be important to them. Clients can request a full copy of our Brochure or contact us with any questions that they may have about the changes.

Below are our material changes since our last annual ADV update on March 30, 2023:

- We have added generationU which is a program that assists and educates young adults who are expecting to inherit significant wealth. Please review *Item 4* and *Item 5* for more information on generationU.
- Our firm has terminated its consulting relationship with Summit Trail Advisors and added a consulting relationship with Hamilton Capital, LLC. Please refer to *Item 4*, *Item 5*, and *Item 10* for more information on the relationship.

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## Item 4: Advisory Business

### **Description of Firm**

Source Financial Advisors, LLC ("Source") is a limited liability company formed on June 29, 2012, in the State of New York. Source became registered as an Investment Adviser Firm in July 2012. Source is principally owned by Michelle Smith. Ms. Smith is also Source's Managing Member. Source is a fiduciary and is required to act in a client's best interest at all times.

As discussed below, Source offers to its clients (individuals, business entities, pension and profit-sharing plans, trusts, estates and charitable organizations, etc.) investment advisory services, and, to the extent specifically requested by a client, financial planning and related consulting services.

The purpose of this Brochure is to disclose the conflicts of interest associated with the investment transactions, compensation and any other matters related to investment decisions made by our firm or its representatives. As a fiduciary, it is our duty to always act in the client's best interest.

As used in this brochure, the words "we," "our," and "us" refer to Source and the words "you," "your," and "client" refer to you as either a client or prospective client of our firm.

### **Types of Advisory Services Offered**

The client can determine to engage Source to provide discretionary and/or non-discretionary investment advisory services on a *fee* basis. Source's annual investment advisory fee is based upon a percentage (%) of the market value of the assets placed under Source's management, generally between negotiable and 1.00%. Source may impose a minimum fee of \$5,000 per quarter and, in its sole discretion, may negotiate to waive its stated account minimum fee or to reduce any fee.

Source's annual investment advisory fee shall 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 Source), Source 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.

Source has entered into a contractual relationship with Dynasty Financial Partners, LLC ("Dynasty"), which provides Source with operational and back-office support including access to a network of service providers. Through the Dynasty network of service providers, Source receives preferred pricing on trading technology, reporting, custody, brokerage, compliance, and other related services. Dynasty charges a "Platform Fee," for which, unless otherwise disclosed, the client will be charged, separate from and in addition to such client's annual investment management fee, as described in Item 5. In addition, Dynasty's subsidiary, Dynasty Wealth Management, LLC ("DWM") is an SEC registered investment adviser, that provides access to a range of investment services including: separately managed accounts ("SMA"), mutual fund and ETF asset allocation strategies, and unified managed accounts ("UMA") managed by external third-party managers (collectively, the "Investment Programs"). Source and its clients may separately engage the services of Dynasty and/or its subsidiaries to access the Investment Programs. Under the SMA and UMA programs, Source will maintain the ability to select the specific, underlying third party managers that will, in turn, have day-to-day discretionary trading authority over the requisite client assets.

DWM sponsors an investment management platform (the “Platform” or the “TAMP”) that is available to the advisers in the Dynasty Network, such as Source. Through the Platform, DWM and Dynasty collectively provide certain technology, administrative, operations and advisory support services that allow advisers to manage their own portfolios and access independent third-party managers that provide discretionary services in the form of traditional managed accounts and investment models. Advisers can allocate all or a portion of client assets among the different independent third-party managers via the Platform. Advisers may also use the model management feature of the TAMP by creating their own asset allocation model and underlying investments that comprise the model. Through the model management feature, advisers may be able to outsource the implementation of trade orders and periodic rebalancing of the model when needed.

Source will maintain the direct contractual relationship with each client and obtain, through such agreements, the authority to engage independent third-party managers, DWM and/or Dynasty, as applicable, for services rendered through the Platform in service of such client. Source may delegate discretionary trading authority to DWM and/or independent third-party managers to effect investment and reinvestment of client assets with the ability to buy, sell or otherwise effect investment transactions and allocate client assets. If a client is participating in certain Investment Programs, DWM or the designated manager, as applicable, is also authorized without prior consultation of Source or the client to buy, sell, trade, or allocate such client’s assets in accordance with the client’s designated portfolio and to deliver instructions to the designated broker-dealer and/or custodian of such client’s assets.

Additionally, Source uses DWM’s customized portfolio solutions, which are offered to investment advisers through its Outsourced Chief Investment Officer Program (the “OCIO Program”). Through the OCIO Program, DWM provides discretionary investment management services through its Investment Committee, in concert with research furnished by third party providers. Portfolios are constructed, implemented, and monitored through an institutional due diligence program that functions at the sub-manager and product level.

We engage Hamilton Capital, LLC (“Hamilton”), a registered investment adviser, for non-discretionary investment consulting services. These services include access to Hamilton’s investment team on market, asset allocation or manager performance, and review of our existing portfolios. It remains our exclusive responsibility to implement any of Hamilton’s recommendations.

We also use GeoWealth Management LLC (“GeoWealth”) as a platform for certain client relationships. GeoWealth is a registered investment adviser offering trading, model implementation, and other back-office capabilities for us. Trading needs and program enrollment requests are sent to GeoWealth for aggregation, block execution, and allocation to client accounts.

### **Financial Planning and Consulting Services (Stand-Alone Basis):**

To the extent specifically requested by a client, Source determines whether to provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone separate fee basis. Source’s planning and consulting fees are negotiable, but generally range from \$5,000 to \$50,000 on a fixed fee basis, depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s). Prior to engaging Source to provide planning or consulting services, clients are generally required to enter into a *Financial Planning and Consulting Agreement* with Source setting forth the terms and conditions of the engagement (including termination), describing the

scope of the services to be provided, and the portion of the fee that is due from the client prior to Source commencing services. If requested by the client, Source recommends the services of other professionals for implementation purposes. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from Source.

If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional.

It remains the client's responsibility to promptly notify Source if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Source's previous recommendations and/or services.

We offer a personalized, concierge service ("Wife2CFO") that assists divorced women with their transition to financial independence that is typically completed in 12 months. The Wife2CFO program has a list of offerings that include financial planning sessions, certain tools and resources, customized proprietary schedules along with client appreciation and community events. Such service is also offered in other term lengths and price points to accommodate those women who sign up for the program.

We currently offer a Wife2CFO 8-week online program which has a financial education and literacy-based agenda. The program is comprised of 8 weekly online sessions. The goal of the program is to help participants organize, become educated, and gain the confidence to manage their financial matters and portfolio. This program is offered in a group setting in a webinar environment.

In addition, we also offer a Wife2CFO Flex program which mimics the 8-week online program but at a reduced rate which enables the client to watch pre-recorded videos at their desired pace.

We offer a personalized, concierge service, generationU ("genU") that assists and educates young adults who are expecting to inherit significant wealth. This education based service includes a list of offerings to be completed online and/or in a live environment with company employees instructing clients and access to company owned & 3rd party tools and technology. The length of the program is approximately 4-6 months, whereas the curriculum includes: financial terminology, budgeting & withdrawals, asset allocation, investment approaches, assisting with important and difficult conversations about finances to respective parties, and crafting a unique financial roadmap for clients to use upon conclusion of the genU program.

#### **Miscellaneous:**

**Non-Investment Consulting/Implementation Services.** To the extent requested by the client, Source *may* provide consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance planning, etc. Neither Source, nor any of its representatives, serves as an attorney or an accountant and no portion of Source's services should be construed as same. To the extent requested by a client, Source may recommend the services of other professionals for certain non-investment implementation purposes (i.e., attorneys, accountants, insurance, etc.). The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from Source.

If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional.

It remains the client's responsibility to promptly notify Source if there is ever any change in his/her/their/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Source's previous recommendations and/or services.

**Non-Discretionary Service Limitations.** Clients that determine to engage Source on a non-discretionary investment advisory basis **must be willing to accept** that Source cannot effect any account transactions without obtaining prior verbal consent to any such transaction(s) from the client. Thus, in the event of a market correction during which the client is unavailable, Source will be unable to effect any account transactions (as it would for its discretionary clients) **without first obtaining the client's verbal consent.**

**Inverse/Enhanced Market Strategies.** Source may utilize long and short mutual funds and/or exchange traded funds that are designed to perform in either an: (1) **inverse relationship** to certain market indices (at a rate of 1 or more times the inverse [opposite] result of the corresponding index) as an investment strategy and/or for the purpose of hedging against downside market risk; and (2) **enhanced relationship** to certain market indices (at a rate of 1 or more times the actual result of the corresponding index) as an investment strategy and/or for the purpose of increasing gains in an advancing market. There can be **no assurance** that any such strategy will prove profitable or successful. In light of these enhanced risks/rewards, a client may direct Source, in writing, not to employ any or all such strategies for his/her/their/its accounts.

**Private Investment Funds.** Source may provide investment advice regarding unaffiliated private investment funds. Source's role relative to the private investment funds shall be limited to its initial and ongoing due diligence and investment monitoring services. If a client determines to become a private fund investor, the amount of assets invested in the fund(s) shall be included as part of "assets under management" for purposes of Source calculating its investment advisory fee. **Source's clients are under absolutely no obligation to consider or make an investment in a private investment fund(s).**

Private investment funds generally involve various risk factors, including, but not limited to, potential for complete loss of principal, liquidity constraints and lack of transparency, a complete discussion of which is set forth in each fund's offering documents, which will be provided to each client for review and consideration. Unlike other liquid investments that a client may maintain, private investment funds do not provide daily liquidity or pricing. Each prospective client investor will be required to complete a Subscription Agreement, pursuant to which the client shall establish that he/she is qualified for investment in the fund and acknowledges and accepts the various risk factors that are associated with such an investment.

**Valuation.** In the event that Source references private investment funds owned by the client on any supplemental account reports prepared by Source, the value(s) for all such private investment funds shall reflect either the initial purchase and/or the most recent valuation provided by the fund sponsor. If the valuation reflects the initial purchase price (and/or a value as of a previous date), the current value(s) (to the extent ascertainable) could be **significantly more or less** than the original purchase price.

**Independent Managers.** Source may allocate (and/or recommend that the client allocate) a portion of a client's investment assets among unaffiliated independent investment managers in accordance with the client's designated investment objective(s). In such situations, the *Independent Manager[s]* shall have day-to-day responsibility for the active discretionary management of the allocated assets. Source shall continue to render investment advisory services to the client relative to the ongoing monitoring and review of account performance, asset allocation, and client investment objectives. Factors which Source shall consider in recommending *Independent Manager[s]* include the client's designated investment objective(s), management style, performance, reputation, financial strength, reporting, pricing, and research.

**Administrative Services.** Source may use third-party providers for the purpose of performing certain administrative services. These providers have been authorized to receive client account information and/or data, including non-public personal information, to facilitate administration and reporting by Source.

**Client Obligations.** In performing its services, Source 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, each client is advised that it remains his/her/its responsibility to promptly notify Source if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Source's previous recommendations and/or services.

**Retirement Plan Rollover Recommendations.** 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 our firm recommends that a client roll over their retirement plan assets into an account to be managed by our firm, such a recommendation creates a conflict of interest if our firm will earn new (or increase its current) compensation as a result of the rollover. If our firm provides a recommendation as to whether a client should engage in a rollover or not, the firm 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 our firm.

**Disclosure Statement.** A copy of Source's written Brochure as set forth on Part 2A of Form ADV shall be provided to each client prior to, or contemporaneously with, the execution of the *Investment Advisory Agreement* or *Financial Planning and Consulting Agreement*.

Source shall provide investment advisory services specific to the needs of each client. Prior to providing investment advisory services, an investment adviser representative will ascertain each client's investment objective(s). Thereafter, Source shall allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). The client may, at any time, impose reasonable restrictions, in writing, on Source's services.

Source does not participate in a wrap fee program.

As of December 31, 2023, Source had \$513,351,255 in assets under management on a discretionary



basis and \$6,124,447 on a non-discretionary basis for a total of \$519,475,702.

## Item 5: Fees & Compensation

### Compensation for Our Advisory Services

#### Investment Advisory Services:

If a client determines to engage Source to provide discretionary and/or non-discretionary investment advisory services on a *fee* basis, Source's annual investment advisory fee shall be based upon a percentage (%) of the market value and type of assets placed under Source's management (between negotiable and 1.00%) as follows:

Market Value of Portfolio                      Annual fee as % of Assets\*

Up to \$5,000,000	1.00
\$5,000,001 to \$10,000,000	0.75
\$10,000,001 to \$15,000,000	0.60
\$15,000,001 to \$20,000,000	0.50
Above \$20,000,000	Negotiable

\*Source may impose a minimum fee of \$5,000 per quarter and, in its sole discretion, may negotiate to waive its stated account minimum fee or to reduce any fee.

As discussed above, Source uses Dynasty's TAMP services. TAMP related charges are not included in the investment management fee you pay to Source. You will be charged, separate from and in addition to your investment management fee, any applicable Platform Fees as well as applicable independent manager fees. Source does not receive any portion of the fees paid directly to Dynasty or the service providers made available through its platform, including the independent managers.

Each of the Platform Fee and independent manager fees are determined by the particular program(s) and manager(s) with which your assets are invested and are calculated based upon a percentage of your assets under management, as applicable. The Platform Fee generally ranges from 0 - .50% annually, independent fixed income manager fees generally range from 0 - .90% annually, and independent equity manager fees generally range from 0 - 1.50% annually.

You will note the total fee reflected on your custodial statement will represent the sum of Source's investment management fee, Platform Fee(s) and independent manager fee(s), accordingly. You should review such statements to determine the total amount of fees associated with your requisite investments, and you should review your investment management agreement with Source to determine the investment management fee you pay to us.

As previously indicated, we engage the investment consulting services of Hamilton. Hamilton receives a quarterly fee paid in advance by us. Since we pay a fixed fee to Hamilton and management expenses are based on total assets placed, we have an incentive to recommend our firm managed models consulted on by Hamilton.

As previously indicated, we also use GeoWealth. GeoWealth shall receive a quarterly fee paid in advance, which is calculated separately for each client. This fee will not exceed 0.50% annually. The fee will be deducted by us directly from your account. We receive a portion of the fees that we pay to GeoWealth depending on the total amount invested. Therefore, we have an incentive to recommend GeoWealth.

Annualized fees are billed on a pro-rata basis quarterly in advance based on the value of the account(s) on the last day of the previous quarter. Fees will be deducted from client account(s). Adjustments will be made for deposits and withdrawals during the quarter that are more than \$10,000. If the advisory agreement is executed at any time other than the first day of the calendar quarter, our fees will apply on a pro-rata basis, which means that the advisory fee is payable in proportion to the number of days in the quarter for which the individual is our Client. Our advisory fee is negotiable, depending on individual Client circumstances and account type.

At our discretion, we may combine the account values of family members living in the same household to determine the applicable advisory fee. For example, we may combine account values for Client and Client's minor children, joint accounts with Client's spouse, and other types of related accounts. Combining account values may increase the asset total, which may result in your paying a reduced advisory fee. Our firm will deduct our fee directly from your account through the qualified custodian holding your funds and securities. Our firm will deduct our fee directly from your account through Fidelity (the qualified custodian). Further, the qualified custodian will deliver an account statement to you at least quarterly. These account statements will show all disbursements from your account. You should review all statements for accuracy.

As discussed below, unless the client directs otherwise or an individual client's circumstances require, Source shall generally recommend that Fidelity Investments, LLC ("*Fidelity*") serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as *Fidelity* may charge brokerage commissions and/or transaction fees for effecting certain securities transactions (i.e., transaction fees may be charged for certain no-load mutual funds, commissions may be charged for individual equity and fixed income securities transactions). In addition to Source's investment management fee, brokerage commissions and/or transaction fees, 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). See Item 12 Brokerage Practices for additional disclosures. Independent Manager and Third-Party Provider fees are in addition to the fees for Investment Advisory Services previously discussed in Item 4 Advisory Business.

Our annual investment advisory fee shall be prorated and paid quarterly, in advance, based upon the market value of the assets on the last business day of the previous quarter. Source may impose a minimum fee of \$5,000 per quarter and, in its sole discretion, may negotiate to waive its stated account minimum fee or to reduce any fee 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, negotiations with client, etc.).

### **Financial Planning and Consulting Services (Stand-Alone Basis):**

To the extent specifically requested by a client, Source *may* determine to provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone fee basis. Source's planning and consulting fees are negotiable, but generally range from \$5,000 to \$50,000 on a fixed fee basis, depending upon the level and scope of the service(s) required and the professional(s) rendering the

service(s). The Wife2CFO and genU program's fixed fee is within the above referenced range. The fixed fees for Wife2CFO, genU, Planning & Consulting are on a payment schedule – first installment (50%) is due at the time of signing. The remaining 50% is due in month 7 or at the completion of services provided if sooner. The Wife2CFO 8-week and Flex programs cost \$1,999 and \$950 respectively, and payment is due prior to commencement of services.

Clients may elect to have Source's advisory fees deducted from their custodial account. Both Source's *Investment Advisory Agreement* and the custodial/clearing agreement may authorize the custodian to debit the account for the amount of Source's investment advisory fee and to directly remit that management fee to Source in compliance with regulatory procedures. In the limited event that Source bills the client directly, payment is due upon receipt of Source's invoice. Source shall deduct fees and/or bill clients quarterly in advance, based upon the market value of the assets on the last business day of the previous quarter.

## **Other Types of Fees & Expenses**

### **Mutual Funds/ETFs**

As part of our investment advisory services our firm may invest, or recommend that you invest, in mutual funds and exchange traded funds. The fees that you pay to our firm for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds or exchange traded funds (described in each fund's prospectus) to their shareholders. These fees will generally include a management fee and other fund expenses. You will also incur transaction charges and/or brokerage fees when purchasing or selling securities. These charges and fees are typically imposed by the broker-dealer or custodian through whom your account transactions are executed. Our firm does not share in any portion of the brokerage fees/transaction charges imposed by the broker-dealer or custodian.

### **Margin Balance and Margin Interest**

If suitable for you, our firm may use margin on your account(s) for the purpose of borrowing funds and/or securities purchases. If a margin account is opened, you will be charged interest on any credit balance extended to or maintained on your behalf at the broker-dealer. While the value of the margined security will appear as a debit on your statement, the margin balance in an account(s) will be assessed an asset-based advisory fees based on the gross value of the account(s) without any offset for margin or debit balances. With respect to short sales, the client will be assessed an asset-based advisory fees based on the value of the security sold short, but not on the proceeds received upon initiation of the short sale. If you purchase securities on margin you should understand: 1) the use of borrowed money will result in greater gains or losses than otherwise would be the case without the use of margin, and 2) there will be no benefit from using margin if the performance of your account does not exceed the interest expense being charged on the margin balance plus the additional advisory fees assessed on the securities purchased using margin. This creates a conflict of interest where we have an incentive to encourage the use of margin to create a higher market value and therefore receive a higher fee.

Clients will incur transaction fees for trades executed by their chosen custodian. These transaction fees are separate from our firm's advisory fees and will be disclosed by the chosen custodian. Fidelity Brokerage Services ("Fidelity") eliminated transaction fees for U.S. listed equities and exchange traded funds for clients who opt into electronic delivery of statements or maintain at least \$1 million in assets at Fidelity. Clients who do not meet either criteria will be subject to transaction fees charged by Fidelity for U.S. listed equities and exchange traded funds.

Clients may also pay holdings charges imposed by the chosen custodian for certain investments, charges imposed directly by a mutual fund, index fund, or exchange traded fund, which shall be disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), distribution fees, surrender charges, variable annuity fees, IRA and qualified retirement plan fees, mark-ups and mark-downs, spreads paid to market makers, fees for trades executed away from custodian, wire transfer fees and other fees and taxes on brokerage accounts and securities transactions. Our firm does not receive a portion of these fees.

The *Investment Advisory Agreement* between Source and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the *Investment Advisory Agreement*. Upon termination, Source shall refund the pro-rated portion of the advanced advisory fee paid based upon the number of days remaining in the billing quarter.

## Item 6: Performance-Based Fees & Side-By-Side Management

Neither Source nor any supervised person of Source accepts performance-based fees.

## Item 7: Types of Clients & Account Requirements

### Client Types:

Our firm has the following Client types: *Individuals and High Net Worth Individuals; Trusts, Estates or Charitable Organizations; Pension, and Profit-Sharing Plans and/or Other Business Types.*

### Account Requirements:

In general, we do not require a minimum dollar amount to open and maintain an advisory account; however, we have the right to terminate your account if it falls below a minimum size which, in our sole opinion, is too small to manage effectively.

## Item 8: Methods of Analysis, Investment Strategies & Risk of Loss

Source may utilize the following methods of security analysis:

- Fundamental - (analysis performed on historical and present data, with the goal of making financial forecasts)
- Technical - (analysis performed on historical and present data, focusing on price and trade volume, to forecast the direction of prices)
- Cyclical - (analysis performed on historical relationships between price and market trends, to forecast the direction of prices)

Source may utilize the following investment strategies when implementing investment advice given to clients:

- Long Term Purchases (securities held at least a year)
- Short Term Purchases (securities sold within a year)

**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 Source) will be profitable or equal any specific performance level(s). Investing in securities involves risk of loss that clients should be prepared to bear.

Source's method of analysis and investment strategy does not present any significant or unusual risks.

However, every method of analysis has its own inherent risks. To perform an accurate market analysis Source must have access to current/new market information. Source has no control over the dissemination rate of market information; therefore, unbeknownst to Source, certain analyses may be compiled with outdated market information, severely limiting the value of Source's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

Source's primary investment strategies - Long Term Purchases and Short- Term Purchases - are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer- term investment strategy.

Currently, Source primarily allocates client investment assets among various individual equity (stocks), debt (bonds), alternative investments and fixed income securities, mutual funds and/or exchange traded funds ("ETFs") (including inverse ETFs and/or mutual funds that are designed to perform in an inverse relationship to certain market indices), on a discretionary basis in accordance with the client's designated investment objective(s).

As disclosed above, Source may utilize long and short mutual funds and/or exchange traded funds that are designed to perform in either an: (1) inverse relationship to certain market indices (at a rate of 1 or more times the inverse [opposite] result of the corresponding index) as an investment strategy and/or for the purpose of hedging against downside market risk; and (2) enhanced relationship to certain market indices (at a rate of 1 or more times the actual result of the corresponding index) as an investment strategy and/or for the purpose of increasing gains in an advancing market. There can be **no assurance** that any such strategy will prove profitable or successful. In light of these enhanced risks/rewards, a client may direct Source, in writing, not to employ any or all such strategies for his/her/their/its accounts. (***See*** Item 4B).

Source has an Investment Committee, and the Members are Michelle Smith and the Hamilton Investment Team; They review third party managers; discuss capital market assumptions; asset allocations; economic backdrop; performance vs. benchmarks; meets at least quarterly; and discussion materials and a summary are prepared.

## **Item 9: Disciplinary Information**

Source Financial Advisors, LLC and Michelle Smith entered into a consent order, reciting violations of Investment Advisers Act of 1940 Sections 206(2) and 207, that was filed with the U.S. Securities and Exchange Commission on May 5, 2017, regarding statements made concerning Ms. Smith's educational credentials and professional license. Without admitting or denying the SEC's findings, Ms. Smith agreed to pay a \$35,000 civil penalty, and Source Financial Advisors, LLC and Ms. Smith accepted a censure.

## **Item 10: Other Financial Industry Activities & Affiliations**

Neither Source, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.

We receive investment recommendations on a periodic basis for our firm managed models from Hamilton. Our firm has full discretion on whether to implement these recommendations or not. For this service, we compensate the firm that provides the investment recommendations.

Source does recommend or select other investment advisors for its clients. Source receives a portion of the fees that we pay to GeoWealth. For this reason, Source periodically reviews the relationship with GeoWealth in an effort to ensure clients are receiving competitive rates in relation to the quality and scope of services provided by other subadvisers.

Source maintains a business relationship with Dynasty Financial Partners, LLC ("Dynasty"). Dynasty offers operational and back-office core service support including access to a network of service providers. Through the Dynasty network of service providers, Source may receive preferred pricing on trading technology, transition support, reporting, custody, brokerage, compliance, and other related consulting services.

While Source believes this open architecture structure for operational services best serves the interests of its clients, this relationship presents certain conflicts of interest due to the fact that Dynasty is paid by Source or its clients for the services referenced above. In light of the foregoing, Source seeks at all times to ensure that any material conflicts are addressed on a fully disclosed basis and handled in a manner that is aligned with its clients' best interests. Source does not receive any portion of the fees paid directly to Dynasty, its affiliates or the service providers made available through Dynasty's platform. In addition, Source reviews such relationships, including the service providers engaged through Dynasty, on a periodic basis in an effort to ensure clients are receiving competitive rates in relation to the quality and scope of the services provided.

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

### **Description of Our Code of Ethics:**

Source maintains an investment policy relative to personal securities transactions. This investment policy is part of Source's overall Code of Ethics, which serves to establish a standard of business conduct for all of Source's representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

In accordance with Section 204A of the Investment Advisers Act of 1940, Source also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by Source or any person associated with Source.

### **Participation or Interest in Client Transactions:**

Neither Source nor any related person of Source recommends, buys, or sells for client accounts, securities in which Source or any related person of Source has a material financial interest.

Source and/or representatives of Source may buy or sell securities that are also recommended to clients. This practice may create a situation where Source and/or representatives of Source are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a conflict of interest. Practices such as "scalping" (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if Source did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, "front-running" (i.e., personal trades executed prior to those of Source's clients) and other potentially abusive practices.

### **Personal Trading Practices:**

Source has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of Source's "Access Persons." Source's securities transaction policy requires that Access Persons of Source must provide the Chief Compliance Officer or his/her designee with a written report of their current securities holdings within ten (10) days after becoming an Access Person. Furthermore, Access Persons must provide the Chief Compliance Officer with a quarterly transaction report, detail all trades in the Access Person's account during the previous quarter; and on an annual basis, each Access Persons must provide the Chief Compliance Officer with a written report of the Access Person's current securities holdings. However, at any time that Source has only one Access Person, he or she shall not be required to submit any securities report described above.

### **Aggregated Trading:**

Source and/or representatives of Source *may* buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where Source and/or representatives of Source are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a conflict of interest. As indicated above, Source has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of Source's Access Persons.

## **Item 12: Brokerage Practices**

In the event that the client requests that Source recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct Source to use a specific broker-

dealer/custodian), Source generally recommends that investment management accounts be maintained at *Fidelity*. Prior to engaging Source to provide investment management services, the client will be required to enter into a formal *Investment Advisory Agreement* with Source setting forth the terms and conditions under which Source shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/ custodian.

Factors that Source considers in recommending *Fidelity* (or any other broker-dealer/custodian to clients) include historical relationship with Source, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by Source's clients shall comply with Source's duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where Source determines, in good faith, that the commission/transaction fee is reasonable in relation to the value of the brokerage and research services received. 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 broker-dealer services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although Source will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, Source's investment management fee. Source's best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

#### 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, Source may receive from *Fidelity* (or another broker-dealer/custodian) without cost (and/or at a discount) support services and/or products, certain of which assist Source to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by Source may 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, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by Source in furtherance of its investment advisory business operations.

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

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

Source does not receive referrals from broker-dealers.

Source does not generally accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and Source 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 Source. As a result, 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.

In the event that the client directs Source 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 Source.

To the extent that Source provides investment management services to its clients, the transactions for each client account generally will be effected independently, unless Source decides to purchase or sell the same securities for several clients at approximately the same time. Source may (but is not obligated to) combine or "bunch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among Source's clients differences in prices and commissions or other transaction costs that might have been obtained 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. Source shall not receive any additional compensation or remuneration as a result of such aggregation.

### **Item 13: Review of Accounts or Financial Plans**

Our management personnel or financial advisors review accounts on at least an annual basis for our Portfolio Management Services clients and Financial Planning Clients. The nature of these reviews is to learn whether client accounts are in line with their investment objectives, appropriately positioned based on market conditions, and investment policies, if applicable. Our firm does not provide written reports to clients, unless asked to do so. Verbal reports to clients take place on at least an annual basis when our Comprehensive Portfolio Management clients are contacted.

Our firm may review client accounts more frequently than described above. Among the factors which may trigger an off-cycle review are major market or economic events, the client's life events, requests by the client, etc.

Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. Source may also provide a written periodic report summarizing account activity and performance.

### **Item 14: Client Referrals & Other Compensation**

As referenced in Item 12 above, Source may receive an indirect economic benefit from *Fidelity*. Source, without cost (and/or at a discount), may receive support services and/or products from *Fidelity*.

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

## Item 15: Custody

### **Advisory Fee Deduction:**

While our firm does not maintain physical custody of client assets (which are maintained by a qualified custodian, as discussed above), we are deemed to have custody of certain client assets if given the authority to withdraw assets from client accounts, as further described below under "Third Party Money Movement." All of our clients receive account statements directly from their qualified custodian(s) at least quarterly upon opening of an account. We urge our clients to carefully review these statements. Additionally, if our firm decides to send its own account statements to clients, such statements will include a legend that recommends the client compare the account statements received from the qualified custodian with those received from our firm. Clients are encouraged to raise any questions with us about the custody, safety or security of their assets and our custodial recommendations.

### **Third Party Money Movement:**

On February 21, 2017, the SEC issued a no-action letter ("Letter") with respect to Rule 206(4)-2 ("Custody Rule") under the Investment Advisers Act of 1940 ("Advisers Act"). The letter provided guidance on the Custody Rule as well as clarified that an adviser who has the power to disburse client funds to a third party under a standing letter of authorization ("SLOA") is deemed to have custody. As such, our firm has adopted the following safeguards in conjunction with our custodian:

- The client provides an instruction to the qualified custodian, in writing, that includes the client's signature, the third party's name, and either the third party's address or the third party's account number at a custodian to which the transfer should be directed.
- The client authorizes the investment adviser, in writing, either on the qualified custodian's form or separately, to direct transfers to the third party either on a specified schedule or from time to time.
- The client's qualified custodian performs appropriate verification of the instruction, such as a signature review or other method to verify the client's authorization, and provides a transfer of funds notice to the client promptly after each transfer.
- The client has the ability to terminate or change the instruction to the client's qualified custodian.
- The investment adviser has no authority or ability to designate or change the identity of the third party, the address, or any other information about the third party contained in the client's instruction.
- The investment adviser maintains records showing that the third party is not a related party of the investment adviser or located at the same address as the investment adviser.
- The client's qualified custodian sends the client, in writing, an initial notice confirming the instruction and an annual notice reconfirming the instruction.

## Item 16: Investment Discretion

The client can determine to engage Source to provide investment advisory services on a discretionary basis. Prior to Source assuming discretionary authority over a client's account, client shall be required to execute an *Investment Advisory Agreement*, naming Source as client's attorney and agent in fact, granting Source full authority to buy, sell, or otherwise effect investment transactions involving the assets in the client's name found in the discretionary account.

Clients who engage Source on a discretionary basis may, at any time, impose restrictions, **in writing**, on Source's discretionary authority (i.e., limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe Source's use of margin, etc.).

## Item 17: Voting Client Securities

Source does not vote client proxies. Clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets.

Clients will receive their proxies or other solicitations directly from their custodian. Clients may contact Source to discuss any questions they may have with a particular solicitation.

## Item 18: Financial Information

Source does not solicit fees of more than \$1,200, per client, six months or more in advance.

Source is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.

Source has not been the subject of a bankruptcy petition.

We do not take custody of client funds or securities.