

# Guideline, Inc. - Form ADV Part 2A

*Updated: March 25, 2019*

## Item 1: Guideline, Inc.

This brochure provides information about the qualifications and business practices of Guideline, Inc. (“Guideline”), an investment adviser registered with the United States Securities and Exchange Commission (the “SEC”), and the successor investment adviser to Guideline Investments, L.L.C. Registration does not imply a certain level of skill or training but only indicates that Guideline has registered our business with the SEC. The information in this brochure has not been approved or verified by the SEC or by any state securities authority.

Additional information about Guideline is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) and our website at [www.guideline.com](http://www.guideline.com).

If you have any questions about the contents of this brochure, please contact us at (888) 228-3491 or [hello@guideline.com](mailto:hello@guideline.com).

## Item 2: Material Changes

Since our previous Form ADV Part 2 brochure was published on March 30, 2018, we note the following material changes:

### Item 4A: Firm

Item 4A was revised to note that Guideline became the successor investment advisor to Guideline Investments, L.L.C., a wholly-owned subsidiary of Guideline which was merged with and into Guideline, effective February 28, 2019.

### Item 4B: Services

Item 4B was revised to note that Guideline offers plan administration and recordkeeping services.

Item 4B was revised to describe that Guideline offers a Guideline for Advisors® program, which allows third-party advisors to assist with managing the accounts of mutual clients.

### Item 4C: Client-Tailored Services and Client Resources

Item 4C was revised to include that if a plan participant does not designate an investment portfolio, the participant’s funds are automatically invested in one of Guideline’s managed portfolios based on the participant’s age and estimated time until retirement.

### Item 5A: Fees

Item 5A was revised to note that plan sponsors will only be charged monthly fees for currently employed plan participants.

Item 5A was revised to include Guideline’s schedule of fees charged to plan sponsors and plan participants.

Item 5A was revised to include that Guideline charges a monthly service fee to plan participants who are no longer employed by the plan sponsor after a 90-day grace period.

**Item 5C: Third-Party Fees**

Item 5C was revised to include that Guideline plan participants are responsible for the payment of third-party mutual fund fees, and that Guideline does not charge participants or clients for custodian fees, as such fees are paid by Guideline.

**Item 7: Types of Clients**

Item 7 was revised to include that Guideline provides plan administration, recordkeeping, and investment management services to employer-sponsored retirement plans.

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

Item 8 was revised to further describe Guideline's investment policies, including an additional description of Guideline's utilization of Modern Portfolio Theory.

**Item 10C: Material Relationships and Possible Conflicts of Interests**

Item 10C has been revised to remove outside affiliation information relating to Carol Ho and Nicolle Willson, which are not material to Guideline's advisory business.

**Item 11C: Investing Personal Money in the Same Securities as Clients**

Item 11C was revised to amend Guideline's policies relating to personal trades by Guideline personnel.

**Item 13A: Frequency of Reviews and Who Makes Those Reviews**

Item 13A was revised to describe that Guideline reviews our managed investment portfolios on a regular basis to ensure portfolio characteristics and investment performance adhere to the defined portfolio goals.

**Item 14B: Client Referrals and Other Compensation**

Item 14B was revised to include details of Guideline's compensation arrangements for client referrals, including that Guideline may compensate certain third-party payroll providers, benefits providers, and other service providers.

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## Item 4: Advisory Business

This brochure is intended to help you learn more about Guideline's services. If you cannot find what you are looking for here, please direct your questions to [hello@guideline.com](mailto:hello@guideline.com), or visit our website at [www.guideline.com](http://www.guideline.com).

### A. Firm

Guideline is a Delaware corporation formed on June 25, 2015. Effective February 28, 2019, Guideline became the successor investment adviser to Guideline Investments, L.L.C., a wholly-owned subsidiary of Guideline which was merged with and into Guideline, effective February 28, 2019. As a result of the merger, Guideline assumed all of the rights, privileges, and liabilities of Guideline Investments, L.L.C., and Guideline Investments, L.L.C. ceased to exist as a separate entity from Guideline.

### B. Services

Guideline provides plan administration, recordkeeping, and investment management services to employer-sponsored retirement plans.

Guideline's services include investment research, selection, monitoring, and management of qualified default investments and portfolios for retirement plans.

Guideline also provides investment recommendations to retirement plan participants via our proprietary software, and recommends managed portfolios comprised of mutual funds.

Guideline's investment decisions are made in the best interest of retirement plan participants. Guideline's economic, investment, and other financial interests are not taken into consideration when making investment decisions.

Guideline also offers a Guideline for Advisors<sup>®</sup> program which allows third-party advisors to assist with managing the accounts of mutual clients. Guideline does not charge additional fees to, nor does it receive any additional compensation from, third-party advisors, plan sponsors, or plan participants for the services provided by Guideline pursuant to the Guideline for Advisors program. The third-party advisor may charge fees to plan sponsors or plan participants for their services pursuant to separate agreements between the advisor and the plan sponsor.

### C. Client-Tailored Services and Client Restrictions

Guideline offers the same services to all retirement plan clients.

These services include automated investment advice to retirement plan participants via our proprietary software. Pursuant to ERISA section 404(c), Guideline provides a selection of diversified investments representing a range of risk/return characteristics. Participants can choose to invest in one of our managed portfolios - recommended based on the participant's reported risk tolerance and estimated time until retirement - or create a custom portfolio from our investment menu. If a participant does not provide investment instructions, their funds are automatically invested into one of our managed portfolios based on the participant's age and estimated time until retirement.

Clients may not impose restrictions on investing in certain securities or types of securities in accordance with their values or beliefs.

### D. Wrap Fee Programs

In a wrap fee investment program, the investor pays one stated fee to cover management fees, transaction costs, fund expenses, and other administrative fees. Guideline does not participate in any such wrap fee program.

## E. Client Assets

As of March 25, 2019, Guideline managed \$737,000,000 in retirement plan assets on a discretionary basis, and \$291,000,000 on a non-discretionary basis.

## Item 5: Fees and Compensation

### A. Fees

#### Plan Sponsors

Guideline charges plan administration and service fees directly to the 401(k) plan sponsor as set forth below.

<u>Type of Service</u>	<u>Fee</u>
Set-Up Fee	\$500
Monthly Service Fee	\$8/month per participating employee (\$40/month monthly minimum)
Service Wind-Down Fee	\$1,000
ACH Chargeback/Reversal Fee	\$50

Guideline provides a detailed schedule of fees to plan sponsors upon entering into a contract for services. Monthly fees are negotiable for larger employers.

#### Plan Participants

Guideline may charge a 401(k) plan participant for certain individualized services as set forth in the schedule below. Additionally, participants who are no longer employed with the company sponsoring their 401(k) plan will be charged a monthly fee. Guideline does not charge participants assets under management (AUM) fees.

The following fees will be charged to the participant's account if the specified service is requested:

<u>Type of Service</u>	<u>Fees</u>
Distribution or Refund	\$50
Loan Application	\$100
Loan Maintenance	\$75/year
Qualified Domestic Relations Order (QDRO)	\$500
Check/Stop Payment Fee	\$25
Overnight Mail Fee (within U.S.)	\$50

#### Terminated Participants

Plan participants who have terminated employment with the company sponsoring their retirement plan are charged a monthly fee of \$4 after an initial 90-day grace period following termination of employment. The monthly fee shall be deducted from the plan participant's account for any month during which the month-end account balance is greater than \$0.

Guideline furnishes a detailed schedule of fees which may be charged to plan participants in a fee disclosure statement upon enrollment and on an annual basis.

### B. Billing & Payment

Monthly invoices are sent by to clients following the end of the month in which services were provided. Fees are paid

via electronic fund transfer. Participant fees are deducted from the participant's account balance.

### C. Third-Party Fees

Guideline does not charge our plan sponsors or plan participants third-party fees.

Guideline requires our clients to use Benefit Trust Company as their custodian. Custodian fees are paid by Guideline; plan sponsors and participants do not pay custodian fees.

Guideline plan participants are responsible for the payment of third-party mutual fund fees, which are charged directly to the participant account by the mutual funds in which the participant invests.

### D. Prepayment of Fees

Guideline does not accept prepayment of fees.

### E. Compensation for the Sale of Securities to Clients

Neither Guideline nor any supervised persons accept compensation for the sale of securities or other investment products.

## Item 6: Performance-Based Fees

Neither Guideline nor our supervised persons accept performance-based fees on a share of capital gains on, or capital appreciation of, the assets of plan participants.

## Item 7: Types of Clients

Guideline provides plan administration, recordkeeping, and investment management services to employer-sponsored retirement plans.

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

### A. Methods of Analysis and Investment Strategies

There are four principles that form the basis of Guideline's investment philosophy and guide us through our duties and responsibilities as an investment manager:

- Make saving for retirement simple and more accessible
- Minimize investment fees
- Diversify broadly for better risk-adjusted returns
- Create long-term investment strategies for retirement investors

Guideline subscribes to Modern Portfolio Theory, which is based on the concept that investors can maximize their expected returns for a given level of risk through a portfolio of diversified assets (or minimize their risk subject to a given level of expected return). Guideline believes participants should have access to a range of low-fee investments with different risk, covariance, and return characteristics, allowing for the construction of diversified portfolios.

Guideline believes that minimizing fees, mitigating risk through diversification, and investing for a long-term horizon are the underpinnings to successfully prepare for retirement.

## B. Material Risks

*Modern Portfolio Theory* assumes that investors are risk averse and will only take on increased risk if compensated with higher expected returns. Investors who want higher returns will need to accept greater risk. Different investors will evaluate the trade-off differently based on their own individual risk profile. When choosing between portfolios, the implication is that rational investors will invest in portfolios with the most favorable risk-to-expected-return profiles and corresponding to their level of comfort with risk.

“Long term investing” is designed to capture market rates of both return and risk. Investing in the capital markets can expose investors to various types of risk that will typically surface at different intervals. These risks include, but are not limited to, market risk, political and regulatory risk, interest rate risk, credit risk, and inflation (purchasing power) risk.

## C. Risks of Specific Securities

Investors should be aware that there is a material risk of loss using any investment strategy. Our mutual fund investments are not guaranteed or insured by the Federal Deposit Insurance Corporation (“FDIC”) or any other government agency. Investing in mutual funds carries the risk of capital loss. All mutual funds have costs that lower investment returns. Primary asset classes of the funds represented in Guideline portfolios include stocks (“equities”), bonds (“fixed income”), and cash equivalents, which present a lower risk.

## Item 9: Disciplinary Information

### A. Criminal or Civil Actions

Guideline has no criminal or civil actions to report.

### B. Administrative Proceedings

Guideline has no administrative proceedings to report.

### C. Self-regulatory Organization (SRO) Proceedings

Guideline has no self-regulatory organization proceedings to report.

## Item 10: Other Financial Industry Activities and Affiliations

### A. Broker-Dealer or Broker-Dealer Representative Registration

Neither Guideline nor our supervised persons are registered as, or have pending applications to register as, a broker-dealer or a representative of a broker-dealer.

### B. Futures Commission Merchant, Commodity Pool Operator, or Commodity Trading Advisor Registration

Neither Guideline nor our supervised persons are registered as, or have pending applications to register as, either a Futures Commission Merchant, Commodity Pool Operator, Commodity Trading Advisor, or an associated person of the foregoing entities.

### C. Material Relationships and Possible Conflicts of Interests

Neither Guideline nor its representatives have any conflicts of interest to disclose.

#### D. Material Conflicts of Interest From Other Investment Advisers or Managers

Guideline does not recommend or select other investment advisers for clients.

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

#### A. Code of Ethics

Guideline has a written Code of Ethics pursuant to SEC rule 204A-1 or similar state rules that covers the following areas:

Prohibited Purchases and Sales, Insider Trading, Personal Securities Transactions, Exempted Transactions, Prohibited Activities, Conflicts of Interest, Gifts and Entertainment, Confidentiality, Service on a Board of Directors, Compliance Procedures, Compliance with Laws and Regulations, Procedures and Reporting, Certification of Compliance, Reporting Violations, Compliance Officer Duties, Training and Education, Recordkeeping, Annual Review, and Sanctions.

*Guideline's Code of Ethics is available upon request to any client or prospective client, at no charge.*

#### B. Recommendations Involving Material Financial Interests

Guideline does not recommend that clients buy or sell any security in which a related person to Guideline or Guideline has a material financial interest.

#### C. Investing Personal Money in the Same Securities as Clients

Guideline's representatives may buy or sell mutual funds for themselves that Guideline also recommends to plan participants. Though this may provide an opportunity for Guideline representatives to buy or sell the same securities before or after recommending the same securities to plan participants, Guideline does not believe any such transaction could potentially create a conflict of interest.

#### D. Trading Securities at or Around the Same Time as Clients' Securities

From time to time, representatives of Guideline may buy or sell securities for themselves at or around the same time as plan participants. Though this may provide an opportunity for representatives of Guideline to buy or sell securities before or after recommending securities to plan participants, Guideline representatives do not profit off of the recommendations they provide to plan participants. Guideline does not believe such transactions could potentially create a conflict of interest.

### **Item 12: Brokerage Practices**

#### A. Selection of Custodians and/or Broker-Dealers

Guideline requires our clients to use Benefit Trust Company as their custodian.

Custodians and/or broker-dealers are selected based on the duty of Guideline to seek "best execution." This duty drives Guideline to seek the most favorable terms of execution of securities transactions for our clients under the circumstances. Guideline is committed to negotiating the most reasonable fees for our clients, which includes selecting only commission-free, low expense ratio mutual funds that trade at NAV at the end of a given day.

#### Research and Other Soft Dollar Benefits

Guideline conducts our own investment research. Currently, Guideline does not have a soft dollar program or any



plans to implement one.

#### Brokerage for Client Referrals

Guideline receives no referrals from a broker-dealer and/or third party in exchange for use of that broker-dealer and/or third party's services.

#### Directed Brokerage

Guideline does not require clients to execute transactions through a specified broker-dealer.

### B. Aggregating (Block) Trading for Multiple Client Accounts

Guideline maintains the ability to block trade purchases across accounts. While block trading may benefit clients by purchasing larger blocks in groups, we do not feel that clients are at a disadvantage due to the best execution practices of our custodian.

## Item 13: Review of Accounts

### A. Frequency of Reviews and Who Makes Those Reviews

Guideline reviews our managed investment portfolios on a regular basis to ensure portfolio characteristics and investment performance adhere to the defined portfolio goals.

### B. Factors That Trigger a Non-Periodic Review of Client Accounts

Non-periodic reviews may be triggered by material market, economic, or political events, or by changes in plan participants' financial situations, such as retirement, termination of employment, or disability.

### C. Content and Frequency of Regular Reports Provided to Clients Regarding their Accounts

Guideline provides plan participants with a quarterly report detailing the participant's account, including: assets held, asset value, and calculation of fees. Participants may also view their account balance and transactions from their online dashboard, updated daily.

## Item 14: Client Referrals and Other Compensation

### A. Economic Benefits Provided by Third Parties for Advice Rendered to Clients (Includes Sales, Awards, or Other Prizes)

Guideline does not receive any economic benefit, directly or indirectly, from any third party for advice rendered to Guideline's clients.

### B. Compensation to Non-Advisory Personnel for Client Referrals

Guideline may enter into written arrangements with third parties to act as solicitors for Guideline's services. Guideline integrates our services with third-party payroll providers, benefits providers, and other service providers. Under these arrangements, Guideline may pay a fee to the third-party provider for referring clients to Guideline.

As a result of these compensatory arrangements, (i) Guideline does not charge any additional fees to the plan sponsor or any plan participant, (ii) third-party fees are not paid from plan funds, (iii) these third parties do not provide any fiduciary or administrative services to the plan or plan participants regarding the plan, and (iv) neither the plan sponsor nor plan participants are responsible for any fees paid to these third parties. Compensatory relationships with third parties will be fully disclosed to each client to the extent required by applicable law. Guideline will ensure that each

third party is exempt, notice filed, or properly registered in all appropriate jurisdictions. All such referral activities will be conducted in accordance with Rule 206(4)-3 of the Investment Advisers Act, as applicable.

## **Item 15: Custody**

Guideline does not take custody of client assets at any time. Custody of participant accounts is held by Benefit Trust Company.

## **Item 16: Investment Discretion**

Guideline exercises discretionary trading authority with regard to funds invested in Guideline's managed portfolios. This enables Guideline to buy, sell, and specify the number of securities in a participant's account without first obtaining the participant's specific consent. This authority is limited to the transfer or exchange of participant funds between asset classes within mutual fund families and/or other securities to achieve results consistent with the goals of the participant's selected investment portfolio. This discretion does not extend to participants who have created a custom portfolio.

## **Item 17: Voting Client Securities (Proxy Voting)**

Proxy voting is carried out by the mutual fund manager for each security the fund holds. Plan participants should direct all proxy questions to the mutual fund manager. Should a fund require proxy votes for its own management, Guideline will assume voting authority for participants in accordance with our proxy voting policies.

## **Item 18: Financial Information**

### **A. Balance Sheet**

Guideline is not required to include a balance sheet with this brochure because we neither require nor solicit prepayment of more than \$1,200 in fees per client.

### **B. Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments to Clients**

Neither Guideline nor our management have any financial condition that is likely to reasonably impair Guideline's ability to meet contractual commitments to clients.

### **C. Bankruptcy Petitions**

Guideline has not been the subject of a bankruptcy petition at any time during the last ten years.