

DFC Financial Group, Inc.
Registered Investment Advisor Brochure ADV Part II



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**Financial and Investment
Planning, Chief Compliance
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Operations Manager

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Services and Compensation

Full financial planning and investment advice initial fees for new clients represents approximately 2% of all client billings. We provide advice on other areas not including investments, such as estate planning and insurance. This represents approximately >1% of client billings. We provide the services of ongoing investment management using asset allocation techniques and modern portfolio theory. In most cases this service includes ongoing financial planning advice and review. This represents approximately 97% of client billings.

Our firms total compensation is derived approximately 62% Fee Revenue and 38% Commission and Other revenue.

We do not use the term "financial planning" as an all-inclusive term for investment advice. Investment advice may or may not be included in a financial plan or it can be a stand-alone service in itself. In the same way, the service of estate planning, or college funding, or retirement analysis could be provided for a client as a stand-alone or sector plan. Generally, these areas are all considered in a comprehensive plan.

We produce regular correspondence to keep our clients and prospects informed of services, concepts, and changes of personnel at our firm. Fees, commissions or a combination of these can compensate us for our services. We recommend clients retain us on a fee basis for ongoing advice and management of their investment portfolio. The quality of our work over time depends on the diligence of our clients in keeping us informed of their financial situation including changes in circumstances, needs, objectives, and tolerance for risk. Our service is divided into three phases. Phase 1 is plan development and design. We charge a set up fee for phase 1 and provide a money back guarantee of this set up fee if a client is not fully satisfied with our written plan after it is completed. Phase 2 is implementation of all the advice, including investment portfolio set up, estate planning documents, and other items agreed upon. Typically, the combined fee for Phase 1 and 2 will average up to 5% of a client's invested assets, depending on the nature of service provided. This could take the form of a fee, a commission, or a combination of the two. Phase 3 is the ongoing financial and investment advice, which includes asset management. The fee for this is up to 1.5% of a client's portfolio. All fees are negotiated.

This ongoing fee of up to 1.5% is layered on top of any management fees associated with specific investments such as those internal to mutual funds and stock account advisory services provided by third party firms. Our ongoing advisory fees are paid on a quarterly basis in arrears. Further, the fees are assessed on the average quarterly market value as of the last day of the calendar quarter. If funds have been withdrawn during a quarter, a partial fee will be due for those funds based on the number of days they were included. The fee is billed when and with the quarterly report mailed to the client. Where clients have directed that this fee be deducted directly from their accounts, this is done at least 10 days after notification has been sent to the client. All investment management agreements are 'Discretionary.'

Alternatively, we offer 'Fee for Service' or FEE ONLY arrangement for clients not under management for an hourly rate of up to \$250 per hour depending on the scope of the work. The actual hourly fee is negotiated and/or quoted in advance of any work to be done by our firm.

We are licensed to receive commissions and a client can choose to purchase investments that pay commissions to our firm. However, we believe it is important for clients to understand this creates a potential for conflict of interest. We recommend a fee relationship where mutual fund investments are selected on a no-load or net asset value basis and stock and bond transactions are provided on an absolute minimum commission, also known as a

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ticket charge that produces no commission to our firm. Further we recognize that there are many quality investments that may be appropriate for a clients portfolio. Just because a commission is paid on them is not a valid reason to exclude them from consideration. Therefore, each investment must be considered on its own merits and reasons for being used. It is possible for both fee and commission relationship to exist. We will always provide an investment prospectus on such investments in advance of the purchase and encourage clients to review the material thoroughly before making a decision. Our fees are negotiated, depending on the scope of work that needs done. We guarantee satisfaction or the Phase 1 set up fee is refunded. And this is usually before any advice is implemented or investments are purchased.

Clients

Our clients include individuals, estates, trusts, charitable organizations, qualified retirement plans, small businesses and corporations.

Types of Investments

We are licensed to handle a variety of investments including: mutual funds, exchange listed securities, stocks and bonds, OTC securities, options, corporate debt service, commercial paper, certificates of deposit, municipal securities, US government securities, guaranteed annuities, variable life insurance and variable annuities.

Methods of Analysis

Our firm applies knowledge gained from study of the following resources: cyclical Patterns, fundamental and technical reports provided by outside experts, risk/reward analysis, asset allocation, industry continuing education programs and modern portfolio theory.

Main sources of information include financial newspapers and magazines; research material prepared by other experts; corporate rating services such as Standard & Poors and Morningstar; various economists; continuing education courses; industry education retreats and workshops.

Investment strategies of our firm are based primarily on asset allocation buy and hold. The vast majority of our allocations are designed for long term investing. We favor equity investments for long term investors regardless of their age. We encourage our clients to understand the term risk (both market and business risk). ***By risk we mean, "It is possible to lose money."*** We provide margin accounts and make margin transactions available to clients but these are generally discouraged as a strategy. Periodic rebalancing within an asset allocation model can involve short term purchase and sale transactions within the model. This can include periodic replacement of one fund, manager or security within the allocation model.

Education and Business Standards

Our firm does impose educational standards on employees and officers who are involved in investment decisions on behalf of clients. Key people are required to obtain at least 30 hours of continuing education every two years. Further, employees are encouraged to pursue higher education, accreditations, certificates, licenses, and degrees. In many cases, this is a fully paid benefit of our company.

Education and Background

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Kenneth Allen, CFP® was born in 1979. He is a Certified Financial Planner.™ He is President and CEO of our firm and Director of Financial Planning and Investment Advice. He is the Chief Compliance Officer of our firm. He holds a FINRA Series 7 Registered Representative license. He is a Licensed Insurance Agent. He pursues continued education as required by our firm.

Other Business activities

Our primary activity is Financial Planning, Investment Advice and Management, Estate Planning, Charitable Planning and Plan Administrative services.

Other Industry Affiliations

Other affiliations include Sigma Financial Corporation, a registered Broker/Dealer, Member of FINRA and SIPC. This broker dealer approves all commission-oriented securities. Principals in our firm are registered representatives of Sigma Financial Corporation and earn commissions on investments placed through this firm.

Fidelity Institutional Investments, a registered broker dealer, Member NYSC, and SIPC. This firm is used for our no-load (or NAV), no-commission, fee based asset management services. Our firm earns no commission revenue from investments held at this firm.

Our firm engages the services of outside sub-contractors to act as “A Solicitor” for our firm. For example, a CPA may refer investment management clients to our firm and, in turn, may be compensated out of the normal management fee, which can be up to 1.5% per year as described above. Other individuals besides CPA’s may also be retained as a solicitor. Such arrangements are disclosed in writing to all clients who are referred to our firm by a solicitor.

Other affiliations include a variety of outside advisors as shown on our company “Staff and Affiliations” which are updated from time to time. We are also affiliated with ING, Security Life of Denver, and various insurance companies.

Participation in Client Transactions

We act as a registered representative on behalf of Sigma Financial Corporation and receive commissions on those transactions. We also act as Registered Investment Advisor on our own behalf, using a variety of investment programs on a no-load basis that generates no commission to our firm. Clients are given a choice of commission or no commission investments. We do not participate in customer profit. Our firm does, at times, invest in the same securities that may be recommended to our clients.

Conditions for Managing Client Accounts

We do not impose a condition for managing accounts, provided we can be compensated profitably for the work we do.

Review of Accounts

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We provide ongoing maintenance of a financial plan and administration and investment services for an ongoing fee. Reviews can be conducted on a monthly, quarterly, semi-annual or annual basis. We do not have different levels of reviews. We currently provide ongoing service for about 170 clients.

Our clients are expected to be involved in the process of managing and planning their investments and financial affairs. It is impossible for our firm to do an effective job without their active involvement in the process. Therefore, clients are expected to keep our firm up to date regarding their objectives, financial circumstances, family dynamics, tolerance for risk, and any changes in their situation or needs that could impact the service or recommendations we provide. In the absence of direction, our firm will continue the status quo based on previously determined financial and investment criteria.

James Kirkland CFP® is the founder of our company. He has retired from active business and now pursues Pastoral Ministry including teaching on Christian Financial Stewardship.

Kenneth Allen, CFP® was born in 1979. He is the President and Director of Financial Planning and Investment Advice. He is the Chief Compliance Officer. He is in charge of developing financial plans for clients of our firm. He is in charge of the Investment Advisory Process and has the ability and authority to analyze and select appropriate investments for client portfolios. Mr. Allen is the team leader and has authority over staff members as to decisions involving client investments and transactions.

Susan Dodd is Vice President of our firm and director of Client Services. She is the Assistant Compliance Officer. Her primary responsibility is to see that the Firms RIA compliance files are up to date, client directions are followed, repositioning of assets as accomplished in a timely manner, client accounts and files are up to date and properly maintained. She is responsible for our firms compliance procedures. She is in charge providing the ongoing service needed to help our clients manage their ongoing financial needs.

Paraplanner Staff. On staff financial planning support is provided through the use of assistant financial planners and paraplanners. These employees have various responsibilities that involve clients; organizing client data, updating financial information, printing reports, implementing agreed upon strategies and gathering data from clients. These functions involve a certain degree of client contact, which often includes interviews.

It is possible for outside advisors such as an Attorney, CPA, Portfolio Manager, etc. to be responsible for conducting a review or meeting with a client in their area of expertise. DFC will coordinate these advisors to the best of our ability, recognizing that we can exercise no actual control over them. Clients are not required to use the advisors associated with our firm and are free to use their own outside advisors. We encourage their cooperation with our firms process. Our firm is not responsible for the advice given by outside advisors.

Nature and Frequency of Regular Reports

Clients choose the frequency of their financial plan updates & reports; annual, semi-annual, quarterly or monthly. The reports are designed to update appropriate sections included in a client's original financial analysis.

This may include any or all of the following: financial statement, tax & cash flow projections, insurance coverage, investment portfolio statistics & results and reports on other areas that could be important to a particular client's situation for which we have been retained to advise them.

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Clients under ongoing Phase 3 asset management are provided with quarterly reports on invested assets. These are provided within 45 days of the end of a calendar quarter. For those with a valid email address, a monthly report option is available where we send reports monthly instead of quarterly via email. Clients with total assets of less than \$50,000 who wish to use our relationship with Fidelity Brokerage Services are also charged up to 1.5%. However, their reports are generated by Fidelity Brokerage Services.

Investment or Brokerage Discretion

A Financial Planning or Investment Client will implement investments through our firm at their own discretion. Once an investment policy and asset allocation model has been approved by a client, ongoing investment decisions are implemented and DFC Financial Group, Inc. does exercise authority to determine, without obtaining specific client consent, the: A) Securities to be bought or sold as part of a pre-determined investment strategy, and B) The amount of securities to be bought or sold as part of a pre-determined investment strategy, but we do not have authority to determine, without obtaining specific client consent the C) Broker or dealer to be used, or D) Commission rates paid. Clients can retain our firm to provide ongoing "portfolio management."

Under our "financial planning and investment management" agreement's we are given discretion over the clients accounts. This can include the ability to collect our fees directly from a clients account as described in "Services and Compensation" above. Our firm is authorized to determine specific securities to be used to fund a given class of assets. The client provides our firm with the authority to make trades on their behalf, to transfer assets from one fund or investment to another, to rebalance their investment allocation and to determine when one fund or security should be substituted for another. In most cases, a client has gone through our financial planning process. As part of this process the client is in a position to determine the specific strategy and type of asset allocation model to use prior to the establishment of this management agreement.

Portfolio Management and Asset Allocation is provided only on a per contract basis for which a client will pay 'Discretionary Investment Advisory Fees' to design the portfolio and manage it.

Our firm makes investment options available to clients through Fidelity Brokerage Services for no load or net asset value purchases on mutual funds. Stocks and other securities are available through Fidelity for their minimum charge, which pays no compensation or commission to our firm. We also use Sigma Financial Corporation for commission accounts. For investment management clients, Fidelity Brokerage Services is recommended in order to reduce the possible conflict of interest posed by the presence of commission income. For some cases, such as the use of products not available through Fidelity Brokerage that may be suitable for a clients needs, Sigma Financial may be used. In these cases, commissions may be paid to our firm. Such products can typically include Variable Life and Variable Annuities where they fit into a client's needs and objectives. It should be recognized that this commission relationship can create a potential for conflict of interest. All clients are encouraged to read every prospectus before making an investment decision, paying careful attention to risk factors, expenses, and commissions.

Additional Compensation

DFC Financial Group, Inc. may receive finder's fees or other additional compensation from other non-clients in connection with giving advice to clients.

Balance Sheet

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DFC Financial Group, Inc. does not take custody of client funds or securities. In many cases we are authorized to collect our fee directly from a client account. This is done with the clients consent, and only after the client has been notified, in advance, of the amount we intend to deduct from their account. We also do not require prepayment of more than \$500.00 and 6 or more months in advance. We do not provide a copy of our company balance sheet.

Independent Contractors

Our system and facilities are made available to independent financial advisors, brokers and insurance agents. It is possible for such advisors to contract with our firm on the basis of sharing fee and commission revenue that may be generated from a client relationship. We offer our services to these independent contractors and to their clients. We do not exercise any control over the actions or product recommendations that may be made by these contractors.