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Form ADV Part 2A



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

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

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

#### **Shareholder Changes**

Since our last filing on October 7, 2016, Level Financial Advisors has made the following material changes:

Rosanne Braxton is now 60% owner of the company.

Steven Elwell is now 33% owner of the company.

Michael Heburn is now 7% owner of the company.

Richard Schroeder, as part of the firm's long-term succession plan, has reduced his ownership from 40% to 0%. Mr. Schroeder continues as the firm's Chief Investment Officer. He will chair the firm's Investment Management Committee, and continue his research and analysis with regard to the firm's investment philosophy.

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### **Item 4 Advisory Business**

Level Financial Advisors, Inc. is a financial planning and investment management firm. It was formed in 1980. It is owned by Rosanne Braxton, Steven Elwell, and Michael Heburn.

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

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

### **401k Services**

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

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

Clients give us discretion to manage their portfolios. As of Dec. 31, 2016 we managed \$306,559,297 in assets for 556 clients on a discretionary basis.

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

Clients complete an online personal risk assessment created by Charles Schwab. The answers to the risk questions categorize clients into portfolio models that have been created by Level Financial Advisors based on our stated investment philosophies. These diversified portfolios consist of low-cost exchange traded funds (ETFs).

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

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

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

Advisor clients are segmented into three distinct service offerings based on their assets under management.

Blueprint Segment	UNDER	\$250,000 AUM
Foundation Segment	BETWEEN	\$250,000 - \$750,000 AUM
Cornerstone Segment	OVER	\$750,000 AUM

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

Our fee schedule is:

- 1.0 percent of the first \$750,000.00
- 0.5 percent of the amount between \$750,000.01 and \$3,000,000.00
- 0.4 percent of the amount above \$3,000,000.01

One-quarter of the annual fee is collected from a portfolio in January, April, July, and October. It is based on the value of the managed portfolio on the last day of the previous calendar quarter. Blueprint clients are billed monthly. (See Automated Service below).

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

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

The first \$750,000 is charged \$1,875 (one-quarter of the 1 percent annual fee).

The next \$2,250,000 is charged \$2,813 (one-quarter of the 0.5 percent annual fee).

The remaining \$500,000 is charged \$500 (one-quarter of the 0.4 percent annual fee).

Their total fee for the quarter is \$5,188.

If their account remained at exactly the same value all year, their annual fee would be \$20,752 (0.59 percent on an annual percentage basis).

Clients who were with us before our current fee schedule was adopted in 2013 are grandfathered on different schedules. Some pay lower fees than those above, or are exempted from fees. We do not charge fees for accounts of principals, or employees, or members of their immediate families.

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

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

Total Fee (per our stated fee structure) ÷ Total Days in the Quarter X Total Days Remaining in Quarter on Day of Investment. John Doe has \$250,000 in invested assets on 10/22. Fee schedule dictates a .25% charge = \$625. Daily Prorate Fee = \$625/92 (the total number of days in the 4th quarter) = \$6.793

\$6.793 X 70 (the total # of remaining days in the quarter) = \$475.51

Fee = \$475.51

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

A client may cancel his relationship with our firm at any time by telephone or in writing. We will refund the full amount of fees if the cancellation comes in the first five days of our relationship. Otherwise, the refund will be calculated on unearned fees within three days of our receipt of a client's cancellation of service. Refunds are made by check and mailed to clients.

In addition to our quarterly account management fee, mutual funds used by clients charge internal expense fees subtracted from each fund's assets. Clients may also pay a trading fee of \$25 to our custodian, Charles Schwab & Co., to buy or sell a particular mutual fund. Some of the funds we use subsidize that fee so that clients do not pay it directly. Others do not subsidize the fee, requiring clients to pay it, but in those cases, the funds pass on the savings to clients by charging lower expense fees.

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

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

Occasionally we will offer financial planning and other services on an hourly basis to clients who do not have sufficient assets to manage. Our hourly fees range from \$150 to \$250 depending on which advisor a client engages. Our minimum fee per financial planning engagement is \$1,000. From time to time, we may waive the minimum fee for a financial planning engagement.

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

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

Clients are charged 1% annually.  $1/12^{\text{th}}$  or .0833% of the annual fee is collected from automated portfolios each month based on the value of the managed portfolio on the last day of the previous month. All fees are charged in advance at the beginning of each month.

New clients with funds invested in this service will not be charged a prorated fee during the month in which they enroll. The first billing will occur at the beginning of the month immediately following their enrollment.

Example: Invested funds on October 15th of \$50,000. First billing at the beginning of November

will be .0833% of the assets under management on October 31st . First billing = \$41.65

### **401k Service**

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

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

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

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

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

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

#### **Investment Strategy**

Our firm follows an asset allocation investment strategy.

There are three methods of investing:

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

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

Likewise, we believe the academic research has shown that individual security selection does not work. Because crucial investment information is disseminated instantaneously to the market, it is difficult for one investor to gain an informational advantage over other investors. There is no



advantage to having the same information that is available to all investors.

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

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

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

### Risks

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

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

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

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

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

Because we use open-end mutual funds for our clients almost exclusively, we think two other general risks are mitigated. One is specific company or security risk: our diversification over thousands of individual securities limits the impact of significant declines in an individual security

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

### **Security Risks:**

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

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

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

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

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

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

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

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

### **Item 9 Disciplinary Information**

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

Neither our firm nor anyone in our firm's management has ever been disciplined, fined, or

suspended by the Securities and Exchange Commission, any state regulatory authority, any self-regulatory authority, or any industry association.

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

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

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

#### **Code of Ethics**

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

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

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

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

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

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

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

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

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

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

All employees are required to read and sign the ethics policy upon beginning employment. The policy is reviewed by staff and principals at least annually.

## Participation/Interest in Client Transactions & Personal Trading

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

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

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

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

## Item 12 Brokerage Practices

### Why We Use Charles Schwab

We require that clients use Charles Schwab & Co. Inc. as a custodian for client accounts and as a broker-dealer when performing transactions in their account. In some cases, where clients have funds held at other custodians, we will provide advisory services for those accounts, without requiring the client to move their assets from the incumbent custodian. We make these distinctions when moving the accounts is not in the best interest of the client. Currently, some of our clients custody their assets with TIAA and Jefferson National. Schwab is a FINRA registered broker dealer and a member of the SIPC. Although we require clients to establish their accounts at Schwab, it is the client's decision whether to use Schwab or not. Level Financial Advisors is independently owned and operated and is not affiliated with Schwab or any other custodian.

We periodically review competing brokers to determine whether we should offer clients a choice. We have not found a compelling reason to do so. We use these criteria when evaluating Schwab and its competitors:

**1. Excellent service:** We want a broker who will quickly and accurately handle transfers of securities, account withdrawals and deposits, securities trades, required minimum distributions from retirement accounts, and other client transactions.

**2. Accurate reporting:** The broker should give our firm and its clients accurate and current information on account activity. Periodic written or online reports should be clear, understandable, and accurate.

**3. Robust technology:** The broker's online access for our firm and its web site for clients should be comprehensive and easy to use.

**4. Low Cost:** The cost per transaction should be competitive.

**5. Convenience:** It should be easy for clients to make withdrawals and deposits, set up and close accounts, change account registrations of beneficiaries, and transfer money between accounts. We have found Charles Schwab to meet or exceed our criteria.

### **Benefits to Our Firm in Working With Schwab**

Schwab provides Level Financial Advisors with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the advisor's clients' assets are maintained in accounts at Schwab Advisor Services.

These services are not contingent upon our firm committing to Schwab any specific amount of business, such as assets in custody or trading commissions. Schwab does not provide any client referrals to our firm.

Schwab's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment. Schwab generally does not charge separately for custody services but is compensated by account holders through transaction-related or asset-based fees for securities trades that are executed through Schwab or that settle into Schwab accounts.

Clients who accept their Schwab reports electronically or who maintain a household account relationship with Schwab of \$1 million or more pay a flat rate of \$4.95 per stock trade. All others pay a flat rate of \$12.95. Schwab does not charge a trading fee on many of the mutual funds we use. Otherwise, we have negotiated a reduced rate of \$25 per mutual fund trade. There are no account maintenance fees. Other fees our clients occasionally pay are \$25 for a wire transfer and \$8.50 for checks delivered overnight. However, clients can avoid both charges by setting up a free link between their Schwab accounts and their personal bank accounts. The link allows money to transfer at no charge.

Schwab Advisor Services also makes available to Level Financial Advisors other products and services that benefit our firm but may not directly benefit our clients' accounts. Many of these

products and services may be used to service all or some of our accounts. These products and services include software and other technology that:

1. Provide access to client account data (such as trade confirmations and account statements).
2. Facilitate trade execution.
3. Provide research, pricing and other market data.
4. Facilitate payment of Level Financial Advisors' fees from its clients' accounts.
5. Assist with back-office functions, record keeping and client reporting.

Schwab Advisor Services also offers other services intended to help our firm manage and further develop our business. These services include compliance, legal and business consulting, and publications and conferences on practice management and business succession. Schwab occasionally makes available, arranges and/or pays third-party vendors for the types of services rendered to our firm. Schwab Advisor Services may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third party providing these services to our firm. Over the past year, Schwab has provided these discounts:

1. A reduced fee on the Morningstar research service. Morningstar provides reports on individual stocks, mutual funds, and other securities. It also allows us to research a client's portfolio for returns, risk, costs, and other factors.
2. Free stock research reports from Schwab, Standard & Poor's, and Argus.
3. A \$5,500 discount on the price of its portfolio management software, Portfolio Center. Schwab Advisor Services has provided other benefits such as educational events or occasional business entertainment of Level Financial Advisors' personnel. In evaluating whether to recommend or require that clients custody their assets at Schwab, Level Financial Advisors may take into account the availability of some of these products and services and other arrangements as part of the total mix of factors it considers and not solely on the nature, cost, or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

### **Directed Brokerage**

Because Schwab is the primary custodian used for Level Financial Advisors accounts, all transactions for clients are executed through Schwab. It is possible that clients could obtain more favorable execution of their trades at other broker-dealers, so Level Financial Advisors' practice

could cause our clients to receive less favorable prices on stock or bond trades. Because we use mutual funds for virtually all of our client accounts, we do not have enough individual stock or bond trades in order to aggregate their purchases and sales in order to get a better price for those trades.

### **Other Custodians**

From time to time, we are given limited powers of attorney to direct trades in, and receive reports on, client accounts at other investment firms, currently including Vanguard, Prudential, Jefferson National, and TIAA. This is a courtesy for clients with pre-existing accounts. We do not receive discounts or benefits from those custodians other than copies of account statements, and we do not direct brokerage to those custodians.

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

#### **Our Account Reviews**

We review client accounts at least three times per year:

1. In the late winter or early spring. At this time, we rebalance accounts to bring each asset class as close as possible to its original allocation. We also make sure there is enough cash available for upcoming periodic withdrawals or required minimum distributions from retirement accounts.
2. In the summer. In this review, we check cash reserves to make cash available for distributions.
3. Near the end of each year. We check to see if we can make any tax-loss sales in non-retirement accounts. We also check cash levels and allocation.

In addition to those regular reviews, individual client accounts are reviewed whenever:

1. Deposits or withdrawals are made.
2. New securities are transferred in from outside accounts.
3. A client changes his desired asset allocation.

Reviews are conducted by at least two financial planning professionals, including the client's primary investment manager. The process is reviewed periodically by the firm's Investment Committee as well as the firm's Chief Compliance Officer.

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

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



real-time performance reporting and access to downloadable monthly statements.

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

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

- The portfolio value at the beginning of the time period
- Additions made to the portfolio
- Withdrawals from the portfolio
- The portfolio's value at the end of the time period
- The investment gain or loss in dollars and in percentages (all gains are net of fees and expenses). We report these as time-weighted returns. If cash flows have had a material effect on performance, we will also include an internal rate of return calculation.

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

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

Level Financial Advisors does not compensate directly or indirectly any person who is not a supervised person by the company. Level Financial Advisors does not receive any direct or indirect compensation from a professional to whom it has referred clients.

### **Item 15 Custody**

We have the ability to deduct our advisory fee from our client's custodian account on a monthly or quarterly basis, depending on the master agreement between us. Clients are provided with written transaction confirmation notices, and a written summary account statement directly from the custodian, at least quarterly. Please Note: To the extent that we provide clients with periodic account statements or reports, the client is urged to compare any statement or report we provide with the account statements received from the account custodian. Please Also Note: The account custodian does not verify the accuracy of our advisory fee calculation

We engage in other practices and/or services on behalf of our clients (ability to transfer funds via standing letters of authorization) that require disclosure at the Custody section of Part 1 of Form ADV, which practices and/or services may be subject to an annual surprise CPA examination in accordance with the requirements of Rule 206(4)-2 under the Investment Advisers Act of 1940. Our



Chief Compliance Officer, Michael Heburn, remains available to address any questions that a client or prospective client may have regarding custody-related issues.

For accounts in which we are deemed to have custody, we have established procedures to ensure all client funds and securities are held at a qualified custodian in a separate account for each client under that client's name. Clients or an independent representative of the client will direct, in writing, the establishment of all accounts and therefore are aware of the qualified custodian's name, address and the manner in which the funds or securities are maintained. Finally, account statements are delivered directly from Charles Schwab to each client, or the client's independent representative, each month either by mail or by email. Clients should carefully review those statements and are urged to compare the statements against the quarterly reports received from us. When clients have questions about their account statements, they should contact us.

When fees are deducted from an account, we are responsible for calculating the fee and delivering instructions to Charles Schwab. At the same time, we instruct the custodian to deduct fees from your account; we will send you an invoice itemizing the fee. Itemization will include the formula used to calculate the fee, the amount of assets under management the fee is based on, and the period covered by the fee. We do not send invoices to Blueprint clients. Fees can be viewed on the Charles Schwab portal.

Our clients send their checks, securities, and other assets directly to Charles Schwab & Co. Any withdrawals from client accounts are sent directly to a client's bank account or address of record. We will not accept any securities for safekeeping, and we will return any checks that are not endorsed to Charles Schwab & Co. We will immediately forward to Schwab any checks endorsed to or payable to Schwab.

For our Foundation and Cornerstone clients, we send a consolidated quarterly statement showing the value of their holdings at the end of the quarter and summarizing their gains, losses, deposits, and withdrawals. Blueprint clients have access to all consolidated reports on a portal through Charles Schwab.

### **Item 16 Investment Discretion**

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

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

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

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

Shortly after this process and after money is received into an investment account, the investment manager will perform an initial review. A Client Engagement Letter will be sent to the client. It will list the initial purchases and sales of securities in the client account, as well as the manager's fees. Once the client has signed the agreement, investing will begin. Subsequent investment reviews do not require a client's signed approval of changes to his account.

### **Item 17 Voting Client Securities**

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

### **Item 18 Financial Information**

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

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

This section does not apply to our firm.