

Part 2A of Form ADV: Firm *Brochure*

Item 1 Cover Page



## **Grunden Financial Advisory, Inc.**

515 South Carroll Boulevard  
Denton, TX 76201  
940.591.9007  
[www.grunden.com](http://www.grunden.com)

December 5, 2017

**This brochure provides information about the qualifications and business practices of Grunden Financial Advisory, Inc. If you have any questions about the contents of this brochure, please contact us at 940.591.9007 and/or [rgrunden@grunden.com](mailto:rgrunden@grunden.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 Grunden Financial Advisory, Inc. is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

*A "registered investment advisor" or describing oneself as being "registered" does not imply a certain level of skill or training. A registered investment advisor is simply one who has registered their advisory practice with the appropriate legal agencies.*

## Item 2 Material Changes

Since the last annual update to our ADV Part II Brochure on March 29, 2016 the following material changes occurred:

1. Item 1, Cover Page: updated our new building address to 515 South Carroll Boulevard, Denton, TX 76201 effective September 26, 2016.
2. Item 10.C.6., page 17: removed Cary Cates' income tax services due to his resignation effective May 13, 2016.
3. Item 10.C.8., page 17: removed Cary Cates' life and health insurance license due to his resignation effective May 13, 2016.
4. Item 4.B, page 6; Item 5.A, page 8, Item 7, page 12: Introduced a new service offering for charitable institutions effective December 5, 2017.
5. Item 15, page 26: Added wording to comply with new SEC custody rule.

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#### Item 4 Advisory Business

##### 4.A. Describe your advisory firm, including how long you have been in business. Identify your principal owner(s).

###### VISION

Our vision is to see our clients financially secure in their world, enjoying their lives, and delighted to be associated with our firm.

###### MISSION

Our mission is to deeply understand our clients and then provide the leadership to seek to develop and execute well thought out personal investment and wealth management strategies that deliver complex financial solutions in a simple, understandable way.

**Grunden Financial Advisory, Inc.** (Grunden, we, us, our) is a fee based investment advisory and wealth management firm established to accomplish our vision and mission on behalf of our clients.

###### **Ricky Lee Grunden, Sr.** Year of Birth: 1951

Ricky Grunden, Sr. received his Certified Financial Planner® designation in 1988. He also received the Accredited Investment Fiduciary® in March 2011. Early in his career he successfully passed the North American Securities Division (NASD) which became the Financial Industry Regulatory Authority, Inc. or FINRA ([www.finra.org](http://www.finra.org)) Investment Company and Variable Contracts Representative Series 6 exam, the Direct Participation Program Representative Series 22 exam, the Uniform Securities Agent State Law series 66 exam in 1982, and then the General Securities Representative Series 7 exam in 1984. In 1970 he attended Galveston Community College and then the University of North Texas school of business from 1970-1973 and 1989. Ricky Grunden, Sr. resigned all the above licenses in July 1999.

Ricky Grunden entered the financial services industry through the life and health insurance business in 1974, transitioned to financial planning in 1980, money management in 1992, and comprehensive wealth management in 2001 where he introduced "The Age 100 Growth Plan <sup>SM</sup>".

He founded Grunden Financial Advisory, Inc. on December 22, 2002, where he serves as President and CEO as well as Chief Compliance Officer (CCO) and currently owns 80% of the company. Prior to Grunden Financial Advisory, Inc., Ricky Grunden owned Ricky Grunden Investment Advisors from 2001-2002, and from 1986 to 2000 was Vice President, Secretary and Director of Rhoads Grunden Lucca Capital Management, Inc.

###### **David Ashley Ragan** Year of Birth: 1979

Dave Ragan received his Certified Financial Planner® designation in 2006 and also received the Accredited Investment Fiduciary® in March 2013. He graduated cum laude with a Bachelor of Business Administration Degree in Financial Planning in 2003.

Dave entered the financial services industry in July 2002 where he was employed by Carter Advisory Services in Dallas, TX until 2003 when he launched his financial planning career with Grunden Financial Advisory, Inc. in June of 2003. Dave served as the firm's Financial Planning Specialist for eight years and was then promoted to Senior Financial Planning Specialist on January 1, 2012. Recognizing Dave's ten year commitment to Grunden Financial Advisory, Inc. and their clients, Dave was invited to become shareholder in 2012 and is now 20% owner of the company. Dave is responsible for developing investment and wealth management plans, meeting with clients, and participating in the execution and servicing of those plans. In addition to his responsibilities at Grunden, for the last seven years Dave has taught financial planning at the University of North Texas.

**4.B. Describe the types of advisory services you offer. If you hold yourself out as specializing in a particular type of advisory service, such as financial planning, quantitative analysis, or market timing, explain the nature of that service in greater detail. If you provide investment advice only with respect to limited types of investments, explain the type of investment advice you offer, and disclose that your advice is limited to those types of investments.**

#### **WEALTH MANAGEMENT AND THE WEALTH BUILDER CHALLENGE<sup>SM</sup>**

We are leaders for our two financial planning offerings: The Grunden Wealth Management Consulting Process <sup>SM</sup> (WM) and The Grunden Wealth Builder Challenge Program <sup>SM</sup> (WBC). Clients and prospective clients qualify for either offering based on their personal goals and objectives, their attitude toward investing, risk, working with an advisor, and their ability to place minimum assets with Grunden or agree to a minimum fee. Each offering includes aspects of the six step financial planning process and are designed to ferret out short and long term financial goals and objectives of the client. Each offering will typically consist of an initial meeting, a written report that includes an assessment of their current situation, a recommended asset allocation, and an analysis of their retirement goals and concerns, monthly reports, and at least an annual meeting. The written report referred to as the investment plan will inform clients or potential clients of the advisory service we offer below. Additionally, our WM clients also receive proactive advice on a host of financial planning topics through the development of Wealth Management plans. Should a client choose to implement the recommendations contained in any report, we suggest the client work closely with his/her attorney, accountant, insurance agent, stockbroker, and/or Grunden. Implementing any recommendations in whole or in part is entirely at the client's discretion.

#### **INVESTMENT SUPERVISORY SERVICES**

Grunden provides Investment Supervisory Services defined as giving advice to a client or making investments for a client based on the individual needs of the client. For example, creating a life time income program through laddered bond investments, high yielding dividend stocks, or holding company stock, or buying and holding individual securities. Through personal discussions in which goals and objectives based on a client's particular circumstances are established, we make investments based on the client's individual needs. Account supervision is guided by the stated objectives of the client, such as create a lifetime income stream, create high yielding portfolio of dividend stocks, hold company stock, or buy high risk individual stocks.

#### **ASSET ALLOCATION SERVICES**

Grunden manages investment advisory accounts not involving Investment Supervisory Services. Based on the client's personal circumstances, such as risk/reward tolerance and personal financial goals and objectives, we will recommend a model portfolio of investments to the client. Each portfolio is designed to meet a particular investment goal which, in consultation with the client, Grunden has determined is suitable to the client's circumstances. Once the appropriate portfolio is selected, the portfolio will be continuously managed based on the portfolio's goal, rather than on each client's individual needs. We expect the portfolio goal to complement the client's financial goals and objectives. Asset Allocation portfolios typically consist of mutual funds and / or exchange traded funds.

Additionally, we will seek to ensure that the following conditions are met within the asset allocation accounts.

1. We will manage each client's account on the basis of the client's financial situation and investment objectives and any reasonable investment restrictions the client may impose;
2. We will obtain sufficient client information to be able to provide individualized investment advice to the client. On at least a quarterly basis, we will notify the client in writing, by email, or print to contact us in writing if there have been changes in the client's financial situation or investment objectives and whether the client wishes to impose investment restrictions or modify existing restrictions. All responses by the client must be in writing, and are not effective until formally accepted and agreed to by Grunden. These notifications will include how to reach us;
3. We will be reasonably available to consult with the client;

4. Each client is able to impose reasonable investment restrictions on the management of the account, subject to the conditions described above;
5. Each client will receive a monthly statement with a description of account activity from their respective custodian; and
6. Each client will retain ownership of the securities and funds in the account, e.g., the ability to withdraw securities, vote securities, among others.

Grunden Financial Advisory, Inc. offers Investment Supervisory Services and Asset Allocation Services to advisory Wealth Management or Wealth Builder Challenge clients. We provide these services to individuals, trusts, estates, and corporations. We manage advisory accounts on a discretionary basis and each client will have the opportunity to place reasonable restrictions on the types of investments to be held in the client's portfolio(s). Clients retain ownership of all securities; Grunden does not maintain custody of any client asset.

#### **401(k) SERVICES**

Grunden has contracted with BAM Advisors Service, LLC for BAM Retirement Solutions 401(k) services, including administrative and marketing support, as well as BAM's service as an ERISA 3(38) Investment manager with full discretion for investment selection and monitoring.

#### **CHARITABLE INSTITUTION SERVICES**

Grunden also provides Asset Allocation and Investment Supervisory Services to tax exempt charitable institutions, endowments, and foundations.

#### **4.C. Explain whether (and, if so, how) you tailor your advisory services to the individual needs of clients. Explain whether clients may impose restrictions on investing in certain securities or types of securities.**

We tailor our advisory services to the individual needs of our clients as explained in Item 4.B. within the Wealth Management and Wealth Builder Challenge, Investment Supervisory Services and Asset Allocation Services. Clients are able to impose reasonable investment restrictions on the management of their portfolios even if the restriction will cause their portfolios to be out of balance with recommended model portfolios. All restrictions by the client must be in writing and are not effective until formally accepted and agreed to by Grunden.

#### **4.D. If you participate in wrap fee programs by providing portfolio management services, (1) describe the differences, if any, between how you manage wrap fee accounts and how you manage other accounts, and (2) explain that you receive a portion of the wrap fee for your services.**

We do not participate in wrap fee programs.

#### **4.E. If you manage client assets, disclose the amount of client assets you manage on a discretionary basis and the amount of client assets you manage on a non-discretionary basis. Disclose the date "as of" which you calculated the amounts.**

At the close on December 5, 2017 the amount of assets under management on a discretionary basis was \$169,893,432. We manage no money on a non-discretionary basis.

## Item 5 Fees and Compensation

### 5.A. Describe how you are compensated for your advisory services. Provide your fee schedule. Disclose whether the fees are negotiable.

Grunden is compensated by an annual percentage fee based on client assets under management according to the fee schedule provided below. Depending on the amount of assets under management, a minimum fee might apply. Grunden may charge this minimum fee in a lump sum or in installments. Fees are not negotiable. The fee is calculated based on the published fee schedule and is not charged on the basis of a share of capital gains or capital appreciation of the funds or any portion of the funds of an advisory client. Grunden employees, their spouses, and children are not subject to a fee deduction from their investment accounts.

#### **Grunden Wealth Builder Challenge Program<sup>SM 1</sup>**

Up to \$999,999	1.50%
(\$250 minimum monthly fee, payable in arrears, not to exceed \$1,042 per month)	

#### **Grunden Wealth Management Consulting Process<sup>SM</sup>**

First \$1,000,000 asset value tier	1.25%
Next \$1,500,000 asset value tier	1.00%
Next \$2,500,000 asset value tier	0.80%
Next \$5,000,000 asset value tier	0.70%
Over \$10,000,000 asset value tier	0.50%

#### **Prior to October 1, 2007 schedule.**

First \$100,000 asset value tier	2.00%
Next \$150,000 asset value tier	1.75%
Next \$250,000 asset value tier	1.25%
Next \$500,000 asset value tier	1.00%
Next \$500,000 asset value tier	0.50%
Over \$1.5 million asset value tier	0.25%

In 1992, when we transitioned from offering investment advice on a commission basis to fee for assets under management, our minimum portfolio was \$100,000. Over the years as we increased our minimum required portfolio and added wealth management financial planning services, it became clear we needed to revamp our fee schedule. Currently, those clients prior to 2007 have the option to remain on their original fee schedule.

**401(K) services fee schedule** – See 4.B. 401(K) Services.

#### **3(21) Fiduciary Advisor – Grunden**

First \$1,000,000 asset value tier	0.700%
Next \$1,000,000 asset value tier	0.560%
Next \$3,000,000 asset value tier	0.420%
Next \$5,000,000 asset value tier	0.315%
Over \$10,000,000 asset value tier	0.280%

#### **3(38) Investment Manager – BAM**

First \$1,000,000 asset value tier	0.300%
Next \$1,000,000 asset value tier	0.240%
Next \$3,000,000 asset value tier	0.180%
Next \$5,000,000 asset value tier	0.135%
Over \$10,000,000 asset value tier	0.120%
Minimum Annual Fee:	\$3,000

The above fee schedule does not include management fees and expenses of underlying funds, or any brokerage commissions, custodial or recordkeeping fees or other expenses incurred by the Plan and/or its participants in connection with investment and/or administration of the Plan.

<sup>1</sup> Minimum fee waived for children of current Wealth Management Consulting clients.

**Charitable Institution services fee schedule** – See 4.B. Charitable Institution Services.

First \$1,000,000 asset value tier	0.75%
Next \$1,500,000 asset value tier	0.70%
Next \$2,500,000 asset value tier	0.65%
Next \$5,000,000 asset value tier	0.60%
Over \$10,000,000 asset value tier	0.30%

The above fee schedule does not include management and expenses of underling funds, or any brokerage commissions, custodial or recordkeeping fees or other expenses incurred by the Charitable Institution.



**5.B. Describe whether you deduct fees from clients' assets or bill clients for fees incurred. If clients may select either method, disclose this fact. Explain how often you bill clients or deduct your fees.**

The annual fee for each asset value tier is divided by twelve to obtain the monthly rate. Fees are deducted from the client account monthly in arrears, on the second-to-last business day of the month, based upon the market value of the account as of the previous day's close. Please refer to sections 10.C.2 regarding fee disbursement on Utah 529 plans and section 10.C.8. regarding TIAA-CREF fee disbursement. We do not bill hourly. We do not send billing statements. Clients are directed to their custodial statement for monthly fees deducted from their respective accounts. Clients are encouraged to openly discuss any questions they have regarding this fee schedule or fees and compensation in general.

For assets under management, we do not bill clients in advance and therefore client fees are only deducted for the amount of time assets remain under management with our firm. A client agreement may be canceled at any time, by either party, for any reason upon receipt of written notice. Upon termination of an account, unpaid fees will be deducted from the client account prior to transfer. Unless specifically instructed by the client in writing, we will continue managing with full discretion client account(s) until client money leaves Grunden custodians. Fees will apply to the account until it leaves the custodian or is moved to the retail side. Upon requested liquidation of investment account in preparation for a transfer away from Grunden, client is responsible for applicable trade cost. The client has the right to terminate an agreement without penalty within five business days after entering into the agreement.

For Wealth Builder Challenge <sup>SM</sup> clients subject to the minimum fee and whose initial managed account is less than \$200,000, we collect a \$3,000 annual fee (for the first year payable up front and in all subsequent years payable in arrears in monthly installments of \$250). This fee pays for the plan development, assistance implementing recommendations over the next 12 months, and updates to the plan as needed. The first year payment is up front because of the significant startup and implementation costs incurred by Grunden in the early stages of the engagement.

**5.C. Describe any other types of fees or expenses clients may pay in connection with your advisory services, such as custodian fees or mutual fund expenses. Disclose that clients will incur brokerage and other transaction costs, and direct clients to the section(s) of your brochure that discuss brokerage.**

Mutual funds and exchange traded funds we use in our portfolios have an expense ratio approximately ranging from 18 to 69 basis points for the more expensive emerging market and international small cap value funds; however the average fee for one of our diversified model portfolio offerings is 29 basis points. A "basis point" is 1/100<sup>th</sup> of one percent or another way to put it is there are 100 basis points in one percent. Clients will also have custodial expenses and trading costs. Please refer to Item 12 Broker Practices and the "Custodial Expense Schedule" and "Distribution and Trading Policy". Grunden does not share or participate in any fees paid to mutual funds or custodians.

**5.D. If your clients either may or must pay your fees in advance, disclose this fact. Explain how a client may obtain a refund of a pre-paid fee if the advisory contract is terminated before the end of the billing period. Explain how you will determine the amount of the refund.**

We require a \$250 per month minimum fee (\$3,000 minimum fee annually) for the Grunden Wealth Builder Challenge Program <sup>SM</sup>, which at the current fee schedule is equivalent to a \$200,000 portfolio. When the client and Grunden agree there is a good fit and mutually beneficial value to move forward in an advisory relationship and the client has less than \$200,000 to initially place under our management, we will collect a \$3,000 check for the first year up front. The first year payment is up front because of the significant startup and implementation costs incurred by Grunden in the early stages of the engagement. In all subsequent years, the minimum fee is payable in arrears in monthly installments of \$250. Should a Wealth Builder Challenge <sup>SM</sup> client subject to the upfront \$3,000 minimum fee choose to terminate our advisory relationship, we will deduct \$350/hour for time expended and refund any balance. In practice, time expended for initial or annual updates will exceed 9 hours, meaning there is no prepayment of more than \$1,200 in fees. We cap the Wealth Builder Challenge Program <sup>SM</sup> fee at \$1,042/month (\$12,500 maximum fee annually) which equals our minimum fee at \$1,000,000 assets under management. Throughout the calendar year, we will deduct the monthly fee based on the 1.5% fee schedule; subject to a \$250 minimum and \$1,042 maximum.

Minimum fee waived for children of current Wealth Management Consulting Process<sup>SM</sup> clients.

**5.E. If you or any of your supervised persons accepts compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds, disclose this fact and respond to Items 5.E.1, 5.E.2, 5.E.3 and 5.E.4.**

Neither the owners nor supervised persons accept compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds. Please refer to 10.C.8 for disclosure of insurance relationship.

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

**6. If you or any of your supervised persons accepts performance-based fees – that is, fees based on share of capital gains on or capital appreciation of the assets of a client (such as a client that is a hedge fund or other pooled investment vehicle) – disclose this fact. If you or any of your supervised persons manage both accounts that are charged a performance-based fee and accounts that are charged another type of fee, such as an hourly or flat fee or an asset-based fee, disclose this fact. Explain the conflicts of interest that you or your supervised persons face by managing these accounts at the same time, including that you or your supervised persons have an incentive to favor accounts for which you or your supervised persons receive a performance-based fee, and describe generally how you address these conflicts.**

As performance based fees may create an incentive for the advisor to recommend an investment that may carry a higher degree of risk to the client, we choose not to participate in Performance Based fees or Side-by-side management fees.

## Item 7 Types of Clients

**7. Describe the types of clients to whom you generally provide investment advice, such as individuals, trusts, investment companies, or pension plans. If you have any requirements for opening or maintaining an account, such as a minimum account size, disclose the requirements.**

Our primary type of client is an individual for whom we believe we can add value through the Grunden Wealth Management Consulting Process <sup>SM</sup> and the client is capable of placing at least \$1 million under management with our firm. We provide investment advice to individuals, trusts, estates, and corporations. We will accept a new client who has less than \$1 million dollars to place under management with our firm if that client has the potential to meet our minimum in the future and agrees to participate in the Grunden Wealth Builder Challenge Program <sup>SM</sup>.

We also provide investment advice to charitable institutions.

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

### **8.A. Describe the methods of analysis and investment strategies you use in formulating investment advice or managing assets. Explain that investing in securities involves risk of loss that clients should be prepared to bear.**

Our approach to creating a foundation for a successful investment experience for the client is initiated through the Grunden Wealth Management Consulting Process <sup>SM</sup> or the Wealth Builder Challenge Program <sup>SM</sup>. We first have an initial meeting where we learn what is important to the potential client and if our services will add value to the relationship as mutually determined by the client and Grunden. We then create an Investment Plan that is tailored and specific to that client which includes an assessment of their current investment program, their risk tolerance, their retirement capabilities, and our understanding of the gaps that interfere with the attainment of their financial goals. We present our findings, recommend steps of actions and offer investment strategies we believe will enable clients to reach their investment goals over time. We clearly communicate in our Investment Plan that investing in securities involves risk of loss that the client should be prepared to bear. There are no guarantees that investment goals or their financial goals will be reached.

### **8.B. For each significant investment strategy or method of analysis you use, explain the material risks involved. If the method of analysis or strategy involves significant or unusual risks, discuss these risks in detail. If your primary strategy involves frequent trading of securities, explain how frequent trading can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.**

The client's goals, time horizon and risk tolerance will inform and guide the recommended investment strategy offered. As of March 23, 2017, approximately ninety-eight percent of our clients choose to participate in one or several of our asset allocation model portfolios. To aid in communication with clients about short term market conditions, we will discuss with them attributes of fundamental and technical analysis in stock and bond and/or fund and asset class selection; however the preponderance of weight in choosing a portfolio will be the client's specific goals and the influence of the Efficient Market Hypothesis (EMH) and Modern Portfolio Theory (MPT) on model portfolio construction.

Prior to 2003, the Grunden method of investment strategies involved charting, fundamental and technical analysis for security and fund selection which culminated in managing portfolios of mutual funds through strategic and tactical asset allocation and by market timing mutual funds. After 2003, we shifted our investment philosophy to embrace the Efficient Market Hypothesis (EMH) and Modern Portfolio Theory (MPT) as the superior method to produce long term, risk identified, investment results. An efficient market is defined as one in which the price of securities quickly and fully reflect available information about the asset. EMH asserts current market prices reflect the total knowledge and expectations of all investors and it is highly unlikely that one investor can know more than the collective market. MPT asserts low cost, tax-efficient, risk identified asset class investing combined with broad diversification will produce market returns with less volatility (risk) over long periods of time. We do not guarantee this will occur; however, based on this understanding, risk is controlled by owning the various asset classes of the global market (diversification) and/or by reducing equity exposure through bond positions (reduced volatility) according to individual client risk tolerance and/or specific investment goals.

The material risk involved with our strategy consists of:

1. Certain or all equity asset classes may decline with negative swings in the market.
2. Value of bonds (and bond funds) will fluctuate and move inversely with interest rates.
3. No guarantee that investment goals will be reached even for a long term time horizon.
4. Fear in terms of short term market volatility may induce client to sell after account has declined thus locking in losses.

Our strategy does not involve frequent trading of securities. At times, we will rebalance client portfolios back to original asset class targets. When the rebalance is performed at the portfolio level, meaning when the rebalance is initiated by Grunden and involving all or most portfolios, Grunden pays the rebalance trading costs as a business expense. To rebalance a single account at the client's request may cost up to \$25 per trade. All of our portfolios have risk of loss that the client should understand and be prepared to bear. Please refer to Custodial Expense Schedule and Distribution and Trading Policy.

**8.C. If you recommend primarily a particular type of security, explain the material risks involved. If the type of security involves significant or unusual risks, discuss these risks in detail.**

Based on our initial meeting and our Investor Preference Profile (risk/reward profile questionnaire) we assist clients in selecting one or more portfolios to help them reach their goals and understand the risk involved. We are not frequent traders and are considered long term investment advisors.

## Item 9 Disciplinary Information

**9. If there are legal or disciplinary events that are material to a client's or prospective client's evaluation of your advisory business or the integrity of your management, disclose all material facts regarding those events.**

Neither the owners nor any employee associated with Grunden has had a complaint or disciplinary action brought against them.

## Item 10 Other Financial Industry Activities and Affiliations

**10.A. If you or any of your management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer, disclose this fact.**

Neither the owners nor management persons are registered representatives or in the process of applying to become a registered representative of a broker-dealer.

**10.B. If you or any of your management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities, disclose this fact.**

Does not apply.

**10.C. Describe any relationship or arrangement that is material to your advisory business or to your clients that you or any of your management persons have with any related person listed below. Identify the related person and if the relationship or arrangement creates a material conflict of interest with clients, describe the nature of the conflict and how you address it.**

Relationships or arrangements material to our advisory business and to our clients are listed below.

**10.C.1. broker-dealer, municipal securities dealer, or government securities dealer or broker**

We are not registered representatives of any broker-dealer; however we choose to custody client assets with two nationally recognized discount brokers, TD Ameritrade Institutional and Schwab Institutional.

**TD Ameritrade Institutional (TDA)**

Grunden participates in the TD Ameritrade Institutional custodial services program offered to independent investment advisors. We are not registered representatives of TD Ameritrade. Due to the omnibus trading capability at TDA, we typically recommend the TD Ameritrade custodial platform to clients to implement no load, no 12b-1 services fee mutual fund portfolios. Once clients understand the potential for significant cost savings on trading within the TD Ameritrade platform, clients direct us to execute transactions through the TDA program. There is no direct linkage between the investment advice given by Grunden and participation in the TD Ameritrade custodial services program. Economic benefits are received which would not be received if Grunden did not give investment advice to clients. These benefits include but are not limited to: electronic access to duplicate client confirmations and statements; access to a trading desk serving custodial services participants (Grunden) exclusively; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; ability to have investment advisory fees deducted directly from client accounts; receipt of compliance publications; and access to mutual funds which require significantly higher minimum initial investments or are available only to institutional investors. Generally at no cost to us, we are offered continuing education workshops, regional workshops and once per year a major three day continuing education advisory conference. We are required to pay our own travel and lodging. The benefits received through participation in the program may depend upon the amount of assets custodied with TD Ameritrade Institutional.



**Schwab Institutional (SI)**

Grunden participates in the Schwab Institutional custodial services program offered to independent investment advisors by Charles Schwab & Company, Inc., an FINRA registered broker-dealer. We are not registered representatives of Schwab Institutional. Clients in need of brokerage and custodial services may have Charles Schwab & Company/Schwab Institutional recommended to them. Grunden will typically recommend the SI program to clients for the implementation of individual stock, bond, and other fixed income securities transactions. There is no direct linkage between the investment advice given by Grunden and participation in the SI custodial services program. Economic benefits are received which would not be received if Grunden did not give investment advice to clients. These benefits include but are not limited to: electronic access to duplicate client confirmations and statements; access to a trading desk serving SI custodial services participants (Grunden) exclusively; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; ability to have investment advisory fees deducted directly from client accounts; receipt of compliance publications; and access to mutual funds which require significantly higher minimum initial investments or are available only to institutional investors. We are offered continuing education workshops and regional workshops at no cost to us, excluding travel and lodging. We are offered for a fee, a national continuing education advisory conference, not including travel and lodging expenses. The benefits received through participation in the program may depend upon or the amount of assets custodied with Charles Schwab & Co/Schwab institutional.

**10.C.2. investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or “hedge fund,” and offshore fund)****Dimensional Fund Advisors**

As a fee based RIA, we have access to a myriad of investment programs, including but not limited to, no-transaction fee mutual funds, separate accounts, hedge funds, absolute return funds and/or individual stocks and bonds to name a few; however, at this time Grunden chooses to align with the Dimensional Fund Advisors (DFA) program. Through this strategic alliance, economic benefits are received which would not be available without this relationship. These benefits include but are not limited to: continuing education conferences where food and notebooks are provided at no charge to advisor, excluding travel and lodging expenses; analytical tools through the DFA Returns Program, access to various indexes for research such as CRSP and Russell indexes and general support to advisors in servicing clients.

**Utah Educational Savings Plan (529)**

In addition to having access to many different types of investment programs as discussed above, Grunden could choose to partner with a different state for 529 plans; however, we currently align with the state of Utah's program to implement college savings solutions when appropriate. Through this strategic alliance, economic benefits are received which would not be available without this relationship. These benefits include but are not limited to: access to administer client requests and the ability to download and reconcile data into our portfolio management software on a daily basis. Advisory fees attributed to the Utah 529 plan are billed to a client's other custodial account.

**10.C.3 other investment adviser or financial planner**

No material relationship exists.

#### **10.C.4 futures commission merchant, commodity pool operator, or commodity trading advisor**

No material relationship exists.

#### **10.C.5 banking or thrift institution**

No material relationship or conflicts of interest exist.

#### **10.C.6 accountant or accounting firm**

As we deem necessary, we also consult with our clients' accountant or accounting firm regarding tax issues related to the clients' investment and wealth management and/or we seek perspective from other accountants or accounting firms on the same or related question. Accountants or accounting firms may refer potential new clients to us or Grunden may refer potential new clients to accountants; however, in neither case does a quid pro quo relationship exist nor do we receive referral fees or compensation from accountants or accounting firms, therefore no conflict of interest exists within these relationships.

#### **10.C.7 lawyer or law firm**

No material relationship; however, as we deem necessary, we consult with our clients' lawyer or law firm regarding legal issues related to the clients' investment and wealth management plan and/or we seek perspective from other lawyers or law firms on the same or related question. Lawyers or law firms may refer potential new clients to us or Grunden may refer potential new clients to lawyers; however, in neither case does a quid pro quo relationship exist nor do we receive referral fees or compensation from any lawyers or law firms, therefore no conflict of interest exists within these relationships.

#### **10.C.8. insurance company or agency**

Ricky Grunden, Sr. maintains a current life and health insurance license (Texas Department of Insurance Lic # 769038; expires May 21, 2018) which in certain circumstances may pose a conflict of interest. As a function of specific client needs that are uncovered throughout the Grunden Wealth Management Consulting Process <sup>SM</sup> or The Grunden Wealth Builder Challenge <sup>SM</sup>, at times an annuity or life and health insurance is the best solution for the client to solve that particular problem enabling them to reach their stated wealth management and financial goals. When insurance is implemented on behalf of a client to fulfill their goals, Ricky Grunden will receive the agent's commission or share in the normal agent's commission for the time spent in assisting the client and/or insurance specialist in procuring their insurance. Grunden does not, nor has any intention of actively soliciting insurance sales as a business practice; but when appropriate according to client needs, Grunden will explore possibilities on behalf of clients.

#### **TIAA-CREF**

In December 2012, Grunden entered a strategic alliance with TIAA-CREF to provide no load – no surrender charge life insurance and annuity products. Where appropriate Grunden will recommend insurance products through TIAA-CREF. Grunden receives no commission from TIAA-CREF; however, at the direction of Grunden and agreement from the client, TIAA-CREF will deduct the normal Grunden advisory fee from the life insurance products and remit to Grunden on a quarterly basis. Fees attributed to TIAA-CREF annuities are billed to a client's other custodial account. No conflict of interest exists due to the no load – no surrender charge products as well as the full disclosure of this relationship and agreement from the client.

In April 2014, Grunden entered another relationship with TIAA-CREF to provide services to manage Optional Retirement Plans (ORPs) and Tax Sheltered Annuities (TSAs) for college

professors. Grunden receives no commission from TIAA-CREF; however, at the direction of Grunden and agreement from the client we will deduct the normal advisory fee from the account on a monthly basis. No conflict of interest exists due to the no load – no surrender charge plans as well as the full disclosure of this relationship and agreement from the client.

**10.C.9 pension consultant**

No material relationship exists.

**10.C.10 real estate broker or dealer**

No material relationship exists.

**10.C.11 sponsor or syndicator of limited partnerships.**

No material relationship exists.

**10.D. If you recommend or select other investment advisers for your clients and you receive compensation directly or indirectly from those advisers that creates a material conflict of interest, or if you have other business relationships with those advisers that create a material conflict of interest, describe these practices and discuss the material conflicts of interest these practices create and how you address them.**

We receive no other sources of revenue other than monthly fee for assets under management, revenue from insurance related offerings, and revenue from our 401(K) services.

We choose not to participate in custodial no-transaction fee (NTF) platform for buying and selling funds at no trading cost. Please see 11.B.

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

### **11.A. If you are an SEC-registered adviser, briefly describe your code of ethics adopted pursuant to SEC rule 204A-1 or similar state rules. Explain that you will provide a copy of your code of ethics to any client or prospective client upon request.**

Our company adheres to the Grunden Code of Ethics (Code). We will provide a copy of our Code to clients or prospective clients upon their request. A description of the Code follows:

1. The Code is maintained and enforced by Ricky Grunden, Sr., Chief Executive Officer, President, and Chief Compliance Officer (CCO).
2. We have a “standard of conduct” applying to all employees, especially supervised persons that highlights our fiduciary duty to the client and our desire to fully comply with the spirit and letter of federal and state securities law.
3. All Grunden employees report their personal security holdings and personal trading at least quarterly to the CCO for review within ten days of the close of each quarter, as well as initial and annual holdings reports as required from time to time.
4. Pre-approval of access persons is required by CCO prior to participation in any initial public offering or private placement.
5. We aspire to a “culture of compliance and ethics” and therefore have review meetings to educate our staff about our Code.
6. Violations of the Code by any employee must be reported to the CCO, with the understanding that Grunden encourages reporting and protects from retaliation.
7. We do not have access to material non-public information; but if we did, we would hold that information strictly confidential and not seek to personally benefit from such information.
8. We keep records including a copy of our Code, violations and actions taken, and written acknowledgement of supervised persons receipt of the Code.

### **11.B. If you or a related person recommends to clients, or buys or sells for client accounts, securities in which you or a related person has a material financial interest, describe your practice and discuss the conflicts of interest it presents. Describe generally how you address conflicts that arise.**

We do not recommend programs in which we have a material financial interest. We do not anticipate doing this in the future, but if we did, we would fully disclose the arrangements and potential conflicts of interest in this document.

We choose to not participate in the TD Ameritrade no-transaction fee (NTF) platform as this may constitute a conflict of interest due to what we perceive as the higher internal expense ratio for the NTF funds.

### **11.C. If you or a related person invests in the same securities (or related securities, e.g., warrants, options or futures) that you or a related person recommends to clients, describe your practice and discuss the conflicts of interest this presents and generally how you address the conflicts that arise in connection with personal trading.**

With respect to asset allocation services, Grunden or employees with our company may buy or sell securities identical to those recommended to customers for their personal accounts. In addition, any related person(s) may have an interest or position in a certain security or securities which are recommended to clients. Grunden employees participate in the same model portfolios as clients. No special treatment is given to any employee account since accounts are batch traded and receive end of day pricing for mutual fund. Grunden and its employees may invest in unaffiliated open-end mutual funds because such funds trade at net asset value (NAV), and therefore are exempt from our trading reporting policy.

**11.D. If you or a related person recommends securities to clients, or buys or sells securities for client accounts, at or about the same time that you or a related person buys or sells the same securities for your own (or the related person's own) account, describe your practice and discuss the conflicts of interest it presents. Describe generally how you address conflicts that arise.**

With respect to investment supervisory services, Grunden or employees with our company may buy or sell securities identical to those recommended to clients for their personal accounts so long as neither Grunden nor any employee is advantaged over a client. In other words, Grunden, its employees, or associated individuals may receive the same price of a security when purchased at the same time, but not less than the price paid by a client.

With the exception of employee accounts that are managed by Grunden in the model portfolios that are offered to clients, it is the expressed policy of Grunden that no person employed by Grunden may purchase or sell any security prior to a transaction(s) being implemented for an advisory account, and therefore preventing such employees from benefiting from transactions placed on behalf of advisory accounts.

Apart from participation in a model portfolio, when violated, the above situation represents a conflict of interest and therefore Grunden has established the following restrictions in order to ensure its fiduciary responsibilities:

1. An employee of Grunden shall not buy or sell securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her employment unless the information is also available to the investing public on reasonable inquiry. No person of Grunden shall prefer his or her own interest to that of the advisory client.
2. Grunden maintains a list of all securities holdings for itself and anyone associated with this advisory practice in Portfolio Center. These holdings are reviewed on a regular basis by Mr. Grunden.
3. Grunden does not engage in principal trading.
4. Grunden emphasizes the unrestricted right of the client to select and choose any broker or dealer, or insurance company they wish.
5. Grunden requires that all individuals must act in accordance with applicable Federal and State regulations governing registered investment advisory practices.
6. Any individuals not in observance of the above are subject to sanction, including but not limited to, termination.

## Item 12 Brokerage Practices

### **12.A. Describe the factors that you consider in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).**

Grunden maintains custodial relationships with two of the largest, most respected discount broker-dealers on behalf of our clients. Among other benefits, the purpose of a custodial relationship is to have a well known broker-dealer that separates advisor access to client's funds. We recommend to clients TD Ameritrade and Schwab Institutional. Neither TD Ameritrade or Schwab Institutional pays Grunden fees or commissions. Our clients benefit through discount brokerage service and Grunden benefits through custodial services.

Grunden participates in the Institutional advisor program (the "Program") offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member FINRA/NFA ("TD Ameritrade"), an unaffiliated SEC-registered broker-dealer and FINRA member. TD Ameritrade offers to independent investment advisors services that include custody of securities, trade execution, clearance, and settlement of transactions. Advisor receives some benefit from TD Ameritrade through its participation in the Program. (Please refer to Item 14.)

#### **12.A.1. Research and Other Soft Dollar Benefits. If you receive research or other products or services other than execution from a broker-dealer or a third party in connection with client securities transactions ("soft dollar benefits"), disclose your practices and discuss the conflicts of interest they create.**

Since we attempt to obtain the best price we can in each situation, we do not mark up or mark down commissions to receive benefits from our custodians. We do not receive preferential treatment at the expense of our clients. Benefits we receive are outlined in Item 10.C.1 and are the same benefits any advisor is eligible to receive if they have a custodial relationship with such entities.

#### **12.A.2. Brokerage for Client Referrals. If you consider, in selecting or recommending broker dealers, whether you or a related person receives client referrals from a broker-dealer or third party, disclose this practice and discuss the conflicts of interest it creates.**

We receive no client referrals from TD Ameritrade or Schwab Institutional.

#### **12.A.3. Direct Brokerage**

Grunden does not have the discretionary authority to determine the broker dealer to be used or the commission rates to be paid; therefore, clients must direct Grunden to the broker dealer to be used even though we recommend TD Ameritrade and Schwab Institutional. In directing the use of a particular broker or dealer, it should be understood that Grunden will not have authority to negotiate commissions or obtain volume discounts, and best execution may not be achieved. In addition, a disparity in commission charges may exist between the commissions charged to other clients. Grunden recommends to clients discount brokers TD Ameritrade and Schwab Institutional and **does not receive or participate in brokerage commissions.**

### **12.B. Discuss whether and under what conditions you aggregate the purchase or sale of securities for various client accounts. If you do not aggregate orders when you have the opportunity to do so, explain your practice and describe the costs to clients of not aggregating.**

Grunden aggregates trades from client accounts, its own accounts, and accounts of associated persons, provided that the following conditions are met:

1. Grunden policies for the aggregation of transactions shall be fully disclosed in this Form ADV Part 2 and separately to Grunden's existing clients (if any) and the broker-dealer(s) through which such transactions will be placed.
2. Grunden will not aggregate transactions unless it believes that aggregation is consistent with its duty to seek best execution (which includes the duty to seek best price) for its clients and is consistent with the terms of Grunden's investment advisory agreement with each client for whom trades are being aggregated;
3. No advisory client will be favored over any other client; each client who participates in an aggregated order will participate at the average share price for all Grunden's transactions in a given security on a given business day, with transaction costs shared pro-rata based on each client's participation in the transaction
4. Grunden will prepare, before entering an aggregated order, a written statement("Allocation Statement") specifying the participating client accounts and how it intends to allocate the order among those clients
5. If the aggregated order is filled in its entirety, it will be allocated among clients in accordance with the Allocation Statement; if the order is partially filled, it will be allocated pro-rata based on the Allocation Statement
6. Notwithstanding the foregoing, the order may be allocated on a basis different from that specified in the Allocation Statement if all client accounts receive fair and equitable treatment and the reason for different allocation is explained in writing and is approved by Grunden's compliance officer no later than one hour after the opening of the markets on the trading day following the day the order was executed
7. Grunden's books and records will separately reflect, for each client account, the orders of which are aggregated, the securities held by, and bought and sold for that account
8. Funds and securities of clients whose orders are aggregated will be deposited with one or more banks or broker-dealers, and neither the client's cash nor their securities will be held collectively any longer than is necessary to settle the purchase or sale in question on a delivery vs payment basis; cash or securities held collectively for clients will be delivered out to the custodian bank or broker-dealer as soon as practicable following the settlement
9. Grunden will receive no additional compensation or remuneration of any kind as a result of the proposed aggregation
10. Individual advice and treatment will be accorded to each advisory client.

## Item 13 Review of Accounts

### **13.A. Indicate whether you periodically review client accounts or financial plans. If you do, describe the frequency and nature of the review, and the titles of the supervised persons who conduct the review.**

Clients are required to review their account statements from their custodian at least quarterly for their own protection and understanding. Please notify Grunden immediately with any perceived or real discrepancy (940.591.9007 or [info@grunden.com](mailto:info@grunden.com)).

Client accounts, Investment Plans, Wealth Management Plans, and other financial planning initiatives are reviewed on a periodic basis by our staff of CERTIFIED FINANCIAL PLANNERS™. Formal account reviews are performed, depending on the need/goals of each client, anywhere from every 90 days to annually (See 13.B.). In addition, more frequent reviews may be triggered by changes in market conditions, political or economic circumstances, or at the client's request. Clients are advised to contact Grunden if their financial situation or investment objective changes or if they wish to impose, add, or modify reasonable restrictions on our investment management.

### **13.B. If you review client accounts on other than a periodic basis, describe the factors that trigger a review.**

Once every month on the 15<sup>th</sup>, Grunden prints and reviews each client account and mails that statement to the fee paying client who has assets under management with our firm. Over 20 years ago, we enacted this practice so clients could see their investments from many sources on one page of paper. Originally designed as a touch piece and a service to clients, the practice exists today because clients tell us they like it. We call the report a 'mid-month' statement which includes investment position values for previous month and current month that are generally, but not always, initialed, signed or noted by one of our advisors.

### **13.C. Describe the content and indicate the frequency of regular reports you provide to clients regarding their accounts. State whether these reports are written.**

We offer to meet with Wealth Management clients every 90 days and will meet outside this time frame as their goals or financial situation changes or as often as we mutually agree to meet. For our Wealth Building Challenge<sup>SM</sup> clients, we offer to meet annually and will meet outside this time frame as their goals or financial situation changes. These reviews, which may be conducted virtually, generally consist of four written reports: 1) a current portfolio statement, 2) a position performance report with year to date returns for each position, 3) a from inception, net of fees, investment performance report, and 4) a from inception cumulative vs. net investment report. These reviews are also tied back to the client investment plan and how they are doing relative to reaching their stated goals.

See also Item 13.B regarding our written mid-month statements.



## Item 14 Client Referrals and Other Compensation

**14.A. If someone who is not a client provides an economic benefit to you for providing investment advice or other advisory services to your clients, generally describe the arrangement, explain the conflicts of interest, and describe how you address the conflicts of interest. For purposes of this Item, economic benefits include any sales awards or other prizes.**

No other person or entity provides an economic benefit to our firm with the exception of our custodian relationships with TD Ameritrade Institutional and Schwab Institutional as disclosed in Item 10.C.1 and 12.A.

As disclosed under Item 12, Grunden participates in TD Ameritrade's Institutional advisor program and Grunden may recommend TD Ameritrade to Clients for custody and brokerage services. There is no direct link between Grunden's participation in the Program and the investment advice it gives to its Clients, although Grunden receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate Client statements and confirmations; research-related products and tools; consulting services; access to a trading desk serving Grunden participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to Client accounts); the ability to have advisory fees deducted directly from Client accounts; access to an electronic communications network for Client order entry and account information; access to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to Grunden by third-party vendors. TD Ameritrade may also have paid for business consulting and professional services received by Grunden's related persons. Some of the products and services made available by TD Ameritrade through the program may benefit Grunden but may not benefit our Client accounts. These products or services may assist Grunden in managing and administering Client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help Grunden manage and further develop its business enterprise. The benefits received by Grunden or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to clients, Grunden endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by Grunden or its related persons in and of itself creates a potential conflict of interest and may indirectly influence Grunden's choice of TD Ameritrade for custody and brokerage services.

**14.B. If you or a related person directly or indirectly compensates any person who is not your supervised person for client referrals, describe the arrangement and the compensation.**

We occasionally will take centers of influence to lunch, dinner, or send a small gift basket to thank them for sending referrals to our firm. However, we do not cash compensate individuals for referrals.

## Item 15 Custody

**15. If you have custody of client funds or securities and a qualified custodian sends quarterly, or more frequent, account statements directly to your clients, explain that clients will receive account statements from the broker-dealer, bank, or other qualified custodian and that clients should review those statements. If your clients also receive account statements from you, your explanation must include a statement urging clients to compare the account statements they receive from the qualified custodian with those they receive from you.**

Grunden Financial Advisory, Inc. does not hold client funds. Client funds, including cash and securities, are held in the client's name with qualified custodians such as TD Ameritrade and Schwab who provide monthly account statements to clients. As a convenience to our clients, Grunden will make available Standing Letters of Authorizations (SLOAs) that instruct us to distribute funds out of the client's account(s) for a purpose other than trading. The SEC identifies two types of move money requests:

- **First-Party Money Movement:** movement of funds or securities from a client's account to another one of their accounts which are titled the exact same way. For example, a client requests money be moved from their account #1 to their account #2. If the account registration/title is the same, this is called a first-party movement. A client must sign an authorization stating the originating account name and number and the destination account name and number for wire and ACH requests.
- **Third-Party Money Movement:** movement of funds or securities from a client's account to another one of their accounts titled differently or to a third party. For example, a client requests money be moved from their account #1 which is in their name only to their account #2 which is jointly owned with their spouse. Since the registration/titles are different, some qualified custodians consider this a third-party money movement. Another example is when client directs us to donate cash or securities to a charitable institution. The transfer from the client account to a charitable institution is a third-party money movement.

When the client chooses for their convenience to establish SLOAs to third-parties, the SEC has deemed that Grunden retains custody. We will process third-party money movements on behalf of the client as long as the seven conditions below are met:

1. 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.
2. The client authorizes Grunden, 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.
3. 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.
4. The client has the ability to terminate or change the instruction to the client's qualified custodian.
5. That Grunden 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.
6. That Grunden maintains records showing that the third party is not a related party to us or located at the same address as us.
7. The client's qualified custodian sends the client, in writing, an initial notice confirming the instruction and an annual notice reconfirming the instruction.

Qualified custodians will send monthly account statements directly to clients. Clients will also receive statements from us on the 15<sup>th</sup> of every month which provides a snapshot summary of their holdings. We recommend clients review both statements for accuracy on a regular basis.

## Item 16 Investment Discretion

**16. If you accept discretionary authority to manage securities accounts on behalf of clients, disclose this fact and describe any limitations clients may (or customarily do) place on this authority. Describe the procedures you follow before you assume this authority (e.g., execution of a power of attorney).**

We have full discretionary authority to manage security accounts on behalf of clients. Clients grant Grunden discretionary trading authority in the account applications and as indicated in the Grunden Financial Advisory, Inc. Advisory Agreement for Money Management. We will not, however, change a portfolio to more or less risk without client approval. Clients may make reasonable requests to limit our discretionary authority.

## Item 17 Voting Client Securities

**17.A If you have, or will accept, authority to vote client securities, briefly describe your voting policies and procedures, including those adopted pursuant to SEC rule 206(4)-6. Describe whether (and, if so, how) your clients can direct your vote in a particular solicitation. Describe how you address conflicts of interest between you and your clients with respect to voting their securities. Describe how clients may obtain information from you about how you voted their securities. Explain to clients that they may obtain a copy of your proxy voting policies and procedures upon request.**

Grunden does not accept authority to vote client securities and therefore, no conflict of interest between us and our clients exists with respect to voting their securities.

**17.B. If you do not have authority to vote client securities, disclose this fact. Explain whether clients will receive their proxies or other solicitations directly from their custodian or a transfer agent or from you, and discuss whether (and, if so, how) clients can contact you with questions about a particular solicitation.**

Grunden does not have the authority to vote securities on behalf of clients and therefore no conflict of interest exists. Furthermore, since 90% of our investment solutions involve ETF's, index funds and asset class mutual funds, the need for voting individual securities is greatly diminished. Clients will receive voting proxies for securities directly from the custodians and may contact us at 940.591.9007 for questions.

## Item 18 Financial Information

**18.A. If you require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, include a balance sheet for your most recent fiscal year.**

We do not accept pre-payment of fees greater than \$1,200. Please refer to item 5.B. and 5.D. for full details.

**18.B. If you have discretionary authority or custody of client funds or securities, or you require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, disclose any financial condition that is reasonably likely to impair your ability to meet contractual commitments to clients.**

We do not accept pre-payment of fees greater than \$1,200. Please refer to item 5.B. and 5.D. for full details.

**18.C. If you have been the subject of a bankruptcy petition at any time during the past ten years, disclose this fact, the date the petition was first brought, and the current status.**

We have not been subject to a bankruptcy petition at any time.

Part 2B of Form ADV: *Brochure Supplement*

Item 1 Cover Page



**Ricky Lee Grunden, Sr.  
David Ragan**

**Grunden Financial Advisory, Inc.**

515 South Carroll Boulevard  
Denton, TX 76201  
940.591.9007

[www.grunden.com](http://www.grunden.com)

December 5, 2017

**This brochure supplement provides information about Ricky Lee Grunden, Sr. and David Ragan that supplements the Grunden Financial Advisory, Inc. brochure. You should have received a copy of that brochure. Please contact Ricky Lee Grunden, Sr. if you did not receive Grunden Financial Advisory's brochure or if you have any questions about the contents of this supplement.**

**Additional information about Ricky Lee Grunden, Sr. and David Ragan is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## Item 2 Educational Background and Business Experience

### **Ricky Lee Grunden, Sr.**

Year of Birth: 1951

Education:

1. Graduated Ball High School, 1970
2. Galveston Community College, 1970
3. University of North Texas, 1970-73 and 1989; General Business Studies

Business Background:

1. President/CEO, Grunden Financial Advisory, Inc. (2002 to present)
2. Owned Ricky Grunden Investment Advisors (2001-2002)
3. Vice President, Secretary and Director, Rhoads Grunden Lucca Capital Management, Inc. (1986-2000)

Professional Designations:

1. Certified Financial Planner® (CFP®) [1]
2. Accredited Investment Fiduciary® (AIF®) [2]

### **David Ashley Ragan**

Year of Birth: 1979

Education:

1. Graduated Newman Smith High School, 1998
2. Graduated University of North Texas, 2003; B.B.A. Financial Planning

Business Background:

1. Adjunct Professor, University of North Texas (2010 to present)
2. Senior Financial Planning Specialist, Grunden Financial Advisory, Inc. (2003 to present)
3. Financial Planning Intern, Carter Advisory Services (2002-2003)

Professional Designations:

1. Certified Financial Planner® (CFP®) [1]
2. Accredited Investment Fiduciary® (AIF®) [2]

### **[1] Certified Financial Planner® (CFP®) Designation Defined**

The CFP® certification process, administered by CFP Board, identifies to the public that those individuals who have been authorized to use the CFP® certification marks in the U.S. have met rigorous professional standards and have agreed to adhere to the principles of integrity, objectivity, competence, fairness, confidentiality, professionalism and diligence when dealing with clients.

To become a CFP®, you are required to meet the following initial certification requirements:

1. Education (approved Board-Registered programs)
2. Examination (comprehensive, two day, 10 hour exam covering over 100 topics)
3. Experience (three year minimum experience of full time, relevant experience)
4. Ethics (must meet the *Fitness Standards for Candidates and Registrants* set by the Board)

Once you earn the CFP® marks (by meeting the four criteria listed above), you must then meet the CFP Board's renewal standards to continue using them. The CFP® certification must be renewed every two years at the end of your renewal month and you are required to:

1. Complete the certification application (must continue to meet the *Fitness Standards for Candidates and Registrants*)
2. Pay a \$360 certification fee
3. Complete 30 hours of approved continuing education (2 hours must focus on Ethics)

For additional information, please visit: <http://www.cfp.net/become/certification.asp>

**[2] Accredited Investment Fiduciary® (AIF®) Designation Defined**

Administered by *fi360*, the Accredited Investment Fiduciary® (AIF®) professional designation is the industry's first and only designation that demonstrates knowledge and competency in the area of fiduciary responsibility and communicates a commitment to standards of investment fiduciary excellence. Holders of the AIF® mark have successfully completed a specialized program on investment fiduciary standards and subsequently passed a comprehensive examination.

AIF designees have a reputation in the industry as being the best positioned to implement a prudent process into their own investment practices, as well as being able to assist others in implementing proper policies and procedures.

To become an AIF®, you are required to meet the following initial certification requirements:

1. Successfully complete a specialized program on investment fiduciary standards of care
2. Pass a comprehensive exam on best practices of investment fiduciaries

Once you earn the AIF® marks (by meeting the criteria listed above), you must then meet the annual standards to continue using them. The AIF® certification must be renewed every year and you are required to:

1. Accrue six hours of continuing professional education with at least four coming from *fi360* produced sources (outlined in the section below)
2. Attest to a code of ethics
3. Maintain current contact information in *fi360*'s designee database
4. Remit \$325 in annual dues

For additional information, please visit: [http://www.fi360.com/main/designations\\_aif.jsp](http://www.fi360.com/main/designations_aif.jsp)



### Item 3 Disciplinary Information

**3.A. A criminal or civil action in a domestic, foreign or military court of competent jurisdiction in which the supervised person**

**3.A.1. was convicted of, or pled guilty or nolo contendere (“no contest”) to (a) any felony; (b) a misdemeanor that involved investments or an investment-related business, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, or extortion; or (c) a conspiracy to commit any of these offenses;**

None.

**3.A.2. is the named subject of a pending criminal proceeding that involves an investment-related business, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, extortion, or a conspiracy to commit any of these offenses;**

None.

**3.A.3. was found to have been involved in a violation of an investment-related statute or regulation;**

None.

**3.A.4. was the subject of any order, judgment, or decree permanently or temporarily enjoining, or otherwise limiting, the supervised person from engaging in any investment-related activity, or from violating any investment-related statute, rule, or order.**

None.

**3.B. An administrative proceeding before the SEC, any other federal regulatory agency, any state regulatory agency, or any foreign financial regulatory authority in which the supervised person**

**3.B.1. was found to have caused an investment-related business to lose its authorization to do business;**

None.

**3.B.2. was found to have been involved in a violation of an investment-related statute or regulation and was the subject of an order by the agency or authority**

**(3.B.2.a) denying, suspending, or revoking the authorization of the supervised person to act in an investment-related business;**

None.

**(3.B.2.b) barring or suspending the supervised person's association with an investment-related business;**

None.

**(3.B.2.c) otherwise significantly limiting the supervised person's investment-related activities; or**

None.

**(3.B.2.d) imposing a civil money penalty of more than \$2,500 on the supervised person.**

None.

**3.C. A self-regulatory organization (SRO) proceeding in which the supervised person**

**3.C.1. was found to have caused an investment-related business to lose its authorization to do business;**

None.

**3.C.2. was found to have been involved in a violation of the SRO's rules and was: (i) barred or suspended from membership or from association with other members, or was expelled from membership; (ii) otherwise significantly limited from investment-related activities; or (iii) fined more than \$2,500.**

None.

**3.D. Any other proceeding in which a professional attainment, designation, or license of the supervised person was revoked or suspended because of a violation of rules relating to professional conduct. If the supervised person resigned (or otherwise relinquished his attainment, designation, or license) in anticipation of such a proceeding (and the adviser knows, or should have known, of such resignation or relinquishment), disclose the event.**

None.

#### Item 4 Other Business Activities

**4.A. If the supervised person is actively engaged in any investment-related business or occupation, including if the supervised person is registered, or has an application pending to register, as a broker-dealer, registered representative of a broker-dealer, futures commission merchant ("FCM"), commodity pool operator ("CPO"), commodity trading advisor ("CTA"), or an associated person of an FCM, CPO, or CTA, disclose this fact and describe the business relationship, if any, between the advisory business and the other business.**

None.

**4.A.1. If a relationship between the advisory business and the supervised person's other financial industry activities creates a material conflict of interest with clients, describe the nature of the conflict and generally how you address it.**

None.

**4.A.2. If the supervised person receives commissions, bonuses or other compensation based on the sale of securities or other investment products, including as a broker-dealer or registered representative, and including distribution or service ("trail") fees from the sale of mutual funds, disclose this fact. If this compensation is not cash, explain what type of compensation the supervised person receives. Explain that this practice gives the supervised person an incentive to recommend investment products based on the compensation received, rather than on the client's needs.**

None.

**4.B. If the supervised person is actively engaged in any business or occupation for compensation not discussed in response to Item 4.A, above, and the other business activity or activities provide a substantial source of the supervised person's income or involve a substantial amount of the supervised person's time, disclose this fact and describe the nature of that business. If the other business activities represent less than 10 percent of the supervised person's time and income, you may presume that they are not substantial.**

Ricky Grunden, Sr. maintains a current life and health insurance license (Texas Department of Insurance Lic # 769038; expires May 21, 2018) which in certain circumstances may pose a conflict of interest. As a function of specific client needs that are uncovered throughout the Grunden Wealth Management Consulting Process <sup>SM</sup>, at times an annuity or life and health insurance is the best solution for the client to solve that particular problem enabling them to reach their stated wealth management and financial goals. When insurance is implemented on behalf of a client to fulfill their goals, Ricky Grunden will receive the agents commission or share in the normal agent's commission for the time spent in assisting the client and/or insurance specialist in procuring their insurance. The insurance service does not exceed 10% of his time or income, and therefore is not substantial.

**Item 5 Additional Compensation**

If someone who is not a client provides an economic benefit to the supervised person for providing advisory services, generally describe the arrangement. For purposes of this Item, economic benefits include sales awards and other prizes, but do not include the supervised person's regular salary. Any bonus that is based, at least in part, on the number or amount of sales, client referrals, or new accounts should be considered an economic benefit, but other regular bonuses should not.

None.

## Item 6 Supervision

**Explain how you supervise the supervised person, including how you monitor the advice the supervised person provides to clients. Provide the name, title and telephone number of the person responsible for supervising the supervised person's advisory activities on behalf of your firm.**

Ricky Lee Grunden, Sr.  
President/CEO  
Chief Compliance Officer  
940.591.9007

Our company adheres to the Grunden Code of Ethics (Code). We will provide a copy of our Code to clients or prospective clients upon their request. A description of the Code follows:

1. The Code is maintained and enforced by Ricky Grunden, Chief Executive Officer, President, and Chief Compliance Officer (CCO).
2. We have a "standard of conduct" applying to all employees, especially supervised persons that highlights our fiduciary duty to the client and our desire to fully comply with the spirit and letter of federal and state securities law.
3. All Grunden employees report their personal security holdings and personal trading at least quarterly to the CCO for review within ten days of the close of each quarter.
4. Pre-approval of access persons is required by CCO prior to participation in any initial public offering or private placement.
5. We desire a "culture of compliance and ethics" and therefore have regular meetings to educate our staff and review our Code and compliance manual.
6. Violations of the Code by any employee must be reported to the CCO with a company culture that encourages reporting and protects from retaliation.
7. We do not have access to material non-public information; but if we did, we would hold that information strictly confidential and not seek to personally benefit from such information.
8. We keep records including a copy of our Code, violations and actions taken, and written acknowledgement of supervised persons receipt of the Code.

We do not recommend programs where we have a material financial interest. We do not anticipate doing this in the future, but if we did, we would fully disclose all arrangements and potential conflicts of interest in this document.

Grunden or individuals associated with our company may buy or sell securities identical to those recommended to customers for their personal accounts. In addition, any related person(s) may have an interest or position in a certain security or securities which are recommended to clients. Grunden employees participate in the same model portfolios as clients. No special treatment is given to any employee account since accounts are batch traded and receive end of day pricing for mutual fund.

With the exception of employee accounts that are managed by Grunden in the model portfolios that are offered to clients, it is the expressed policy of Grunden that no person employed by Grunden may purchase or sell any security prior to a transaction(s) being implemented for an advisory account, and therefore preventing such employees from benefiting from transactions placed on behalf of advisory accounts.

Apart from participation in a model portfolio, the above situation represents a conflict of interest and therefore Grunden has established the following restrictions in order to ensure its fiduciary responsibilities:

1. An employee of Grunden shall not buy or sell securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her employment unless the information is also available to the investing public on reasonable inquiry. No person of Grunden shall prefer his or her own interest to that of the advisory client.

2. Grunden maintains a list of all securities holdings for itself and anyone associated with this advisory practice with access to advisory recommendations. These holdings are reviewed on a regular basis by Mr. Grunden.
3. Grunden emphasizes the unrestricted right of the client to select and choose any broker or dealer, and/or insurance company (s)he wishes.
4. Grunden requires that all individuals must act in accordance with applicable Federal and State regulations governing registered investment advisory practices.
5. Any individuals not in observance of the above are subject to sanction, including but not limited to, termination.