

## Form ADV Part 2A Brochure

### **IFP Advisors, Inc. Doing Business As Independent Financial Partners**

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This brochure ("Brochure") provides information about the qualifications and business practices of IFP Advisors, Inc., which operates under the business name of Independent Financial Partners.

If you have any questions about the contents of this Brochure please contact us at 813-341-0960 or [IFPCompliance@ifpartners.com](mailto:IFPCompliance@ifpartners.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority.

Additional information about Independent Financial Partners is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by using a unique identifying number, known as a CRD number. The CRD number for Independent Financial Partners is 125112.

## ITEM 2. SUMMARY OF MATERIAL CHANGES

On July 28, 2010, the United States Securities and Exchange Commission published “Amendments to Form ADV” which amended the disclosure document that must be provided to clients as required under the Investment Advisers Act of 1940 (“IA Act”) rules.

Pursuant to the rule under the IA Act, Independent Financial Partners (“IFP”) will ensure that clients receive a summary of any material changes to this and subsequent Brochures within 120 days as of the close of its fiscal year. IFP will also provide its clients with other ongoing disclosure information about material changes to its Form ADV as necessary.

IFP will also provide you with an updated Brochure as necessary based on changes or new disclosure information on its Form ADV. A Brochure may be requested by contacting IFP Compliance at (813) 341-0960.

Additional information about IFP is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s website also provides information about any persons affiliated with IFP who are registered, known as access persons and/or Investment Adviser Representatives (“IARs”) of IFP.

ITEM 3. TABLE OF CONTENTS

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ITEM 1. COVER PAGE ..... 1

ITEM 2. SUMMARY OF MATERIAL CHANGES.....2

ITEM 3. TABLE OF CONTENTS ..... 3

ITEM 4. ADVISORY BUSINESS ..... 4

ITEM 5. FEES AND COMPENSATION..... 18

ITEM 6. PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT ..... 21

ITEM 7. TYPES OF CLIENTS ..... 21

ITEM 8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS ..... 21

ITEM 9. DISCIPLINARY INFORMATION ..... 23

ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS ..... 23

ITEM 11. CODE OF ETHICS, PARTICIPATION IN CLIENT TRANSACTIONS AND PERSONAL TRADING..... 25

ITEM 12. BROKERAGE PRACTICES..... 25

ITEM 13. REVIEW OF ACCOUNTS ..... 32

ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION ..... 33

ITEM 15. CUSTODY ..... 35

ITEM 16. INVESTMENT DISCRETION ..... 35

ITEM 17. VOTING CLIENT SECURITIES ..... 35

ITEM 18. FINANCIAL INFORMATION ..... 36

## ITEM 4. ADVISORY BUSINESS

Independent Financial Partners (“IFP”) is registered as a Registered Investment Adviser (“RIA”) with Securities and Exchange Commission (“SEC”). IFP’s SEC File Number is 801-69511. IFP’s home office is in Tampa, Florida. IFP has been registered with the SEC as a RIA since 2008. IFP is owned and controlled by William E. Hamm its Chief Executive Officer.

IFP’s conducts its investment advisory business through a network of independent Investment Adviser Representatives (“IARs”) who operate offices located throughout the United States. IARs may operate under their own business name(s) or doing business as (“DBA”) name(s) and their business name(s) and logos may appear on their sales and marketing materials. All sales and marketing materials used by IARs are reviewed and approved by IFP. The business name(s) and DBAs name(s) used by the IARs are separate from and are not owned and controlled by IFP. IARs may also offer and provide other services through their business name(s) or DBA name(s), however all investment advisory services conducted by IARs must be through IFP. Information about the IARs’ other businesses can be found in the IARs’ Form ADV Part 2B Disclosure Brochure, which also contains more detailed information about their educational backgrounds, business experience and disciplinary history (if any).

IFP’s home office is responsible for supervising and monitoring the activities of its IARs and employees. Employees in the home office also provide investment portfolio asset management services, sales and marketing support, back-office processing and approval of IARs’ business and compliance functions.

Nearly all of IFP’s Investment Adviser Representatives (“IARs”) are also dually registered as Registered Representatives (“RRs”) and solicit, offer and sell securities through LPL Financial (“LPL”), a full-service securities broker-dealer that is also registered as a Registered Investment Adviser with the SEC and is a member of the Financial Industry Regulatory Authority (“FINRA”) and the Securities Investors Protection Corporation (“SIPC”). IARs may also be licensed as independent insurance agents through various insurance companies and solicit, offer and sell fixed and/or property and casualty insurance products in the states in which they conduct business. Therefore, IARs can potentially be acting in all three capacities when soliciting, offering and selling investment products, investment advisory services and/or insurance products to the client. The registration as RRs, IARs and also being licensed as independent insurance agents may create a conflict of interest when IARs solicit, offer and sell securities and insurance products for which clients would pay a commission, while also soliciting, offering and selling investment advisory services and managing the assets in their clients’ accounts and charging a separate investment advisory fee.

### **Types of Services Offered**

IFP and its IARs may solicit, offer and sell fee based investment advisory services, including fee based financial planning, and/or charge an investment advisory fee for managing the clients’ accounts. IARs when also acting as RRs of LPL may also solicit, offer and sell securities, including but not limited to individual stocks and bonds, mutual funds, closed end funds, Exchange Traded Funds (“ETFs”), and non-traded alternative products, including but not limited to Real Estate Investment Trusts (“REITs”), private placements and direct participation programs (“DPPs”). IARs that are licensed as insurance agents may also solicit, offer and sell fixed and/or property and casualty insurance products. Usually the client will be charged a commission when purchasing securities or insurance products. Depending on the type of securities or insurance product recommended and sold, and/or the nature of the investment advisory services recommended by the IARs, clients may either be charged a commission or an investment advisory fee or a combination of them. Commissions are most often charged for the purchase of securities or fixed and property and casualty insurance products on a transaction by transaction basis. Purchases and sales for securities may be executed in a commission brokerage account can be submitted to, purchased and held

directly with a product sponsor or insurance company. An investment advisory fee is usually charged based on the amount of the client's assets under management with the IAR as agreed upon under an Investment Advisory Managed Account Agreement signed by the client. See Item 5 (Fees and Compensation) for additional information on commissions and fees charged to the client.

The IAR will decide based on the client's financial situation, age, income, tax status, investment objectives, and risk tolerance whether to recommend that the client open a commission based securities brokerage account, an account held directly with the product sponsor or insurance company and/or to recommend that the client open an Investment Advisory Managed Account Agreement or a combination of all of them. Some securities products, such as alternative products, including REITs and DPPs may not be eligible to be purchased or held in a fee based Investment Advisory Managed Account and may only be purchased on a commission basis.

Background information regarding each IAR is contained in the IAR's individual Brochure Supplement, which is known as the Form ADV Part 2B Brochure Supplement. A copy of the Form ADV Part 2B Brochure Supplement will be provided to each client on or before the client signs enters into an investment advisory relationship with IFP.

### **Investment Supervisory Services and Individual Portfolio Management**

IARs provide continuous advice regarding the investment of client funds based on the individual needs of the client. The IAR and the client will discuss the client's specific financial situation, goals, investment objectives, investment experience, time horizon, liquidity needs and risk tolerance. The IAR will then develop asset allocation strategies and/or models and make recommendations to the client to manage the client's portfolio to meet the client's stated goals and investment objectives.

Investment management services are provided under a written Investment Advisory Managed Account Agreement between IFP and the client. Under the terms of the Investment Advisory Managed Account Agreement, the IAR is either authorized by the client to execute transactions on a discretionary basis without contacting the client or on a non-discretionary basis requiring the client's authorization prior to executing each investment recommendation. If the client's financial situation, goals, investment objectives, time horizon, liquidity needs or risk tolerance change the client should promptly notify his or her IAR.

Subject to IFP's approval, clients may request to impose reasonable restrictions on investing in certain types of securities or industry sectors. Clients with non-discretionary accounts should understand that any delay in obtaining the client's authorization to execute a recommendation may result in less favorable transaction terms, including a higher transaction security execution price depending on prevailing market conditions.

IFP does not offer proprietary products. Therefore, IFP's investment recommendations are not limited to any specific product or service offered through a broker/dealer or insurance company. IARs who are also registered as Registered Representatives of a LPL Financial may be limited to the types of investments they can solicit, offer and recommend to their clients. These limitations may be dictated by the securities registrations the IARs hold and/or LPL Financial's approved product or restricted product lists or internal policies and procedures. Client portfolio holdings may include, but are not limited to securities listed on the stock market exchanges, corporate and municipal bonds, mutual funds, Unit Investment Trusts ("UITs"), alternative products including Real Estate Investment Trusts (REITs), Direct Participation Programs ("DPPs") or Business Development Companies ("BDCs") United States government and government agency securities, certificates of deposit, warrants, and commercial paper. Some investment products, such as REITs, DPPs and BDCs may not be eligible to be purchased and held in an investment advisory Managed account.

## **LPL Sponsored Investment Advisory Programs**

IFP may provide advisory services through certain programs sponsored by LPL, a registered investment advisor and broker-dealer. For more information regarding the LPL programs, including more information on the advisory services and fees that apply, the types of investments available in the programs and the potential conflicts of interest presented by the programs please see the specific LPL program account information which includes the account agreement and LPL's Form ADV program brochure, and LPL's Form ADV Part 2A or the applicable program.

### **Strategic Wealth Management II**

Although clients do not pay a transaction charge for transactions in a Strategic Wealth Management II ("SWM II") accounts, clients should be aware that IAR pays LPL transaction charges for those transactions. The transaction charges paid by the IAR vary based on the type of security transaction (e.g. mutual fund, equity or Exchange Traded Funds ("ETFs")) and for mutual funds based on whether or not the mutual fund pays 12b-1 fees and/or recordkeeping fees to LPL. Transaction charges paid by the IAR for equities and ETFs are \$9. For mutual funds, the transaction charges range from \$0 to \$26.50. Because IAR pays the transaction charges in SWM II accounts, there is a conflict of interest in cases where the mutual fund is offered at both \$0 and \$26.50. Clients should understand that the cost to the IAR of transaction charges may be a factor that IAR considers when deciding which securities to select and how frequently to place transactions in a SWM II account.

LPL makes available mutual funds in a SWM II account that offer various classes of shares, including shares designated as Class A Shares and shares designed for advisory programs, called for example, as "Class I," "institutional," "investor," "retail," "service," "administrative" or "platform" share classes ("Platform Shares"). The Platform Share class offered for a particular mutual fund in SWM II in many cases will not be the least expensive share class that the mutual fund company offers, and was selected by LPL in certain cases because the share class pays LPL compensation for the administrative and recordkeeping services LPL provides to the mutual fund. Client should understand that another financial services firm may offer the same mutual fund at a lower overall cost to the investor than is available through SWM II. In other instances, a mutual fund may offer only Class A Shares, but another similar mutual fund may be available that offers Platform Shares. Class A Shares typically pay LPL a 12b-1 fee for providing brokerage-related services to the mutual funds. Platform Shares generally are not subject to 12b-1 fees. As a result of the different expenses of the mutual fund share classes, it is generally more expensive for a client to own Class A Shares than Platform Shares. An investor in Platform Shares will pay lower fees over time than an investor who holds Class A Shares of the same fund.

IAR has a financial incentive to recommend Class A Shares in cases where both Class A and Platform Shares are available. Although the client will not be charged a transaction charge for transactions, IAR pays LPL a per transaction charge for mutual fund purchases and sales in the account. IAR generally does not pay transaction charges for Class A Share mutual fund transactions accounts, but generally do pay transaction charges for Platform Share mutual fund transactions. The cost to IAR of transaction charges generally may be a factor the IAR considers when deciding which securities to select and whether or not to place transactions in the account.

The lack of transaction charges to IAR for Class A Share purchases and sales, together with the fact that Platform Shares generally are less expensive for a client to own, present a conflict of interest between IAR and the client. Clients should consider the additional indirect expenses paid as a result of the mutual fund fees when negotiating and discussing with IAR the advisory fee for management of a SWM II account.

### **Manager Access Select Program**

Manager Access Select provides clients access to the investment advisory services of professional portfolio management firms for the individual management of client accounts. IAR will assist client in identifying a third-party portfolio manager ("Portfolio Manager") from a list of Portfolio Managers made available by LPL. The Portfolio Manager manages client's assets on a discretionary basis. Advisor will provide initial and ongoing assistance regarding the Portfolio Manager selection process.

A minimum account value of \$100,000 is required for Manager Access Select, however, in certain instances, the minimum account size may be lower or higher.

### **Optimum Market Portfolios Program (“OMP”)**

OMP offers clients the ability to participate in a professionally managed asset allocation program using Optimum Funds shares. Under OMP, client will authorize LPL on a discretionary basis to purchase and sell Optimum Funds pursuant to investment objectives chosen by the client. IAR will assist the client in determining the suitability of OMP for the client and assist the client in setting an appropriate investment objective. IAR will have discretion to select a mutual fund asset allocation portfolio designed by LPL consistent with the client’s investment objective. LPL will have discretion to purchase and sell Optimum Funds pursuant to the portfolio selected for the client. LPL will also have authority to rebalance the account.

A minimum account value of \$10,000 is required for OMP. In certain instances, LPL will permit a lower minimum account size.

### **Personal Wealth Portfolios Program (PWP)**

PWP offers clients an asset management account using asset allocation model portfolios designed by LPL. IAR will have discretion for selecting the asset allocation model portfolio based on client’s investment objective. Advisor will also have discretion for selecting third party money managers (PWP Advisors), mutual funds and ETFs within each asset class of the model portfolio. LPL will act as the overlay portfolio manager on all PWP accounts and will be authorized to purchase and sell on a discretionary basis mutual funds, ETFs and equity and fixed income securities.

A minimum account value of \$250,000 is required for PWP. In certain instances, LPL will permit a lower minimum account size.

### **Model Wealth Portfolios Program (MWP)**

MWP offers clients a professionally managed mutual fund asset allocation program. IAR will obtain the necessary financial data from the client, assist the client in determining the suitability of the MWP program and assist the client in setting an appropriate investment objective. IAR will initiate the steps necessary to open an MWP account and have discretion to select a model portfolio designed by LPL’s Research Department consistent with the client’s stated investment objective. LPL’s Research Department or third-party portfolio strategists are responsible for selecting the mutual funds or ETFs within a model portfolio and for making changes to the mutual funds or ETFs selected.

The client authorizes LPL to act on a discretionary basis to purchase and sell mutual funds and ETFs and to liquidate previously purchased securities. The client will also authorize LPL to effect rebalancing for MWP accounts.

MWP requires a minimum asset value for a program account to be managed. The minimums vary depending on the portfolio(s) selected and the account’s allocation amongst portfolios. The lowest minimum for a portfolio is \$25,000. In certain instances, a lower minimum for a portfolio is permitted.

### **Small Market Solution (SMS) Program**

Under SMS, LPL Research (a team of investment professionals within LPL) creates and maintains a series of different investment menus (“Investment Menus”) consisting of a mix of different asset classes

and investment vehicles (“investment options”) for clients that sponsor and maintain participant-directed defined contribution plans (“Plan Sponsors”). The Plan Sponsor is responsible for selecting the Investment Menu that it believes is appropriate based on the demographics and other characteristics of the Plan and its participants. LPL Research is responsible for the selection and monitoring of the investment options made available through Investment Menus (“Fiduciary Selection Services”). The investment options that are offered through SMS are limited to the specific investments available through the record keeper that the Plan Sponsor selects. The Plan Sponsor may only select an Investment Menu in its entirety and does not have the option to remove or substitute an investment option.

If the Plan is subject to ERISA, LPL will be a “fiduciary” and serve as “investment manager” (as that term is defined in section 3(38) of ERISA) in connection with the Fiduciary Selection Services. None of the services offered under SMS other than the Fiduciary Selection Services will constitute “investment advice” under 3(21)(A)(ii) of ERISA, or otherwise cause LPL or IAR to be deemed a fiduciary.

In addition to the Fiduciary Selection Services, Plan Sponsor may also select from a number of non-fiduciary services available under SMS that are provided by IAR. These services may include, but are not limited to: general education, and support regarding the Plan and the investment options selected by Plan Sponsor; assistance regarding the selection of, and ongoing relationship management for record keepers and other third-party vendors, Plan participant enrollment support, and participant-level education regarding investment in the Plan. These services do not include any individualized investment advice to the Plan Sponsor or Plan participants with respect to Plan assets, and LPL and IAR do not act as fiduciaries under ERISA in providing such services.

### **Guided Wealth Portfolios (“GWP”)**

GWP offers clients the ability to participate in a centrally managed, algorithm-based investment program, which is made available to users and clients through a web-based, interactive account management portal (“Investor Portal”). Investment recommendations to buy and sell open-end mutual funds and exchange-traded funds are generated through proprietary, automated, computer algorithms (collectively, the “Algorithm”) of Xulu, Inc., doing business as FutureAdvisor (“FutureAdvisor”), based upon model portfolios constructed by LPL and selected for the account as described below (such model portfolio selected for the account, the “Model Portfolio”). Communications concerning GWP are intended to occur primarily through electronic means (including but not limited to, through email communications or through the Investor Portal), although IAR will be available to discuss investment strategies, objectives or the account in general in person or via telephone.

A preview of the Program (the “Educational Tool”) is provided for a period of up to forty-five (45) days to help users determine whether they would like to become advisory clients and receive ongoing financial advice from LPL, FutureAdvisor and IAR by enrolling in the advisory service (the “Managed Service”). in the GWP Program Brochure. Users of the Educational Tool are not considered to be advisory clients of LPL, FutureAdvisor or IAR do not enter into an advisory agreement with LPL, FutureAdvisor or IAR do not receive ongoing investment advice or supervisions of their assets, and do not receive any trading services.

A minimum account value of \$5,000 is required to enroll in the Managed Service.

### **Features of the Educational Tool**

Users of the Educational Tool (each, a “user”) agree to a terms of use (“Terms of Use”) and complete an investor profile. An investment objective (“Investment Objective”) and Model Portfolio is assigned to each user based upon factors in the investor profile, including risk tolerance and the number of years



remaining until the age of retirement (such time being referred to herein as the “Retirement Age”). (See description in “Features of the Managed Service” below for information regarding the design of the Model Portfolios.) Based on the Investment Objective and Model Portfolio, the Educational Tool generates sample analysis, advice and investment recommendations (“Sample Recommendations”).

The Educational Tool provides Sample Recommendations that may assist users in determining whether to utilize the Managed Service. Access to the Educational Tool is limited to a period of forty-five (45) days. The Educational Tool is intended to be used for educational and informational purposes only. The Educational Tool does not provide comprehensive financial planning and is not intended to constitute legal, financial or tax advice. There may be other relevant factors and financial considerations (e.g., debt load or financial obligations) that LPL, FutureAdvisor and IAR do not take into consideration in formulating any Sample Recommendations provided. The Sample Recommendations made are meant solely as a sample of the types of recommendations available through the Managed Service. LPL, FutureAdvisor and IAR are not responsible for any actions taken with respect to the Sample Recommendations, and users are solely responsible for making their own investment decisions. The Educational Tool is only one of many tools that users may use as part of a comprehensive investment analysis process. Users should not rely on the Educational Tool as the sole basis for investment decisions.

Although LPL is an investment adviser and broker-dealer registered with the SEC and a member of the Financial Industry Regulatory Authority, and FutureAdvisor is an investment adviser registered with the SEC, in providing access to the Educational Tool, LPL, FutureAdvisor and IFP do not intend to establish an advisory relationship, or in the case of LPL, a brokerage relationship, with users of the Educational Tool. Users are not charged an advisory fee or any other fee or expense to use the Educational Tool. The scope of any investment advisory relationship with LPL, FutureAdvisor and IFP begins when users enroll in the Managed Service. The output that users receive by using the Educational Tool, including the Sample Recommendations, may differ materially from the advice users would receive as an advisory client of LPL, FutureAdvisor and [Advisor].

None of LPL, FutureAdvisor or IAR provides ongoing investment management or trading services for assets of users of the Educational Tool, makes any determination as to whether the website through which the Program is accessed or the Educational Tool is appropriate for any user, can access any assets in any accounts users aggregate in the Educational Tool, places any trades on behalf of users of the Educational Tool, or provides ongoing supervision of assets of users of the Educational Tool. The Sample Recommendations provided are intended as an informational preview of the Managed Service, and the Sample Recommendations are being provided to demonstrate the types of analysis, advice and recommendations provided by the Managed Service.

### **Features of the Managed Service**

Investors participating in the Managed Service (each, a “client”) complete an account application (the “Account Application”) and enter into an account agreement (the “Account Agreement”) with LPL, IFP and FutureAdvisor. As part of the account opening process, clients are responsible for providing complete and accurate information regarding, among other things, their age, risk tolerance, and investment horizon (collectively, “Client Profile”). LPL, [Advisor] and FutureAdvisor rely on the information in the Client Profile in order to provide services under the Program, including but not limited to, determination of suitability of the Program for clients and an appropriate Investment Objective and Model Portfolio for clients. The Model Portfolios have been designed and are maintained by LPL or, in the future, a third-party investment strategist (as applicable, the “Portfolio Strategist”) and shall include a list of securities holdings, relative weightings and a list of potential replacement securities for tax

harvesting purposes. None of the client, IAR or FutureAdvisor can access, change or customize the Model Portfolios. Only one Model Portfolio is permitted per account.

Based upon a client's risk tolerance as indicated in the Client Profile, the client is assigned an investment allocation track (currently Fixed Income Tilt, Balance Tilt or Equity Tilt), the purpose of which is to slowly rotate the client's equity allocation to fixed income over time. LPL Research created these tracks using academic research on optimal retirement allocations, the industry averages as calculated by Morningstar for the target date fund universe, and input from FutureAdvisor.

Within the applicable allocation track and based upon a client's chosen Retirement Age in the Client Profile, the client will be assigned a Model Portfolio and one of five of LPL's standard investment objectives:

- *Income with capital preservation.* Designed as a longer-term accumulation account, this investment objective is considered generally the most conservative. Emphasis is placed on generation of current income with minimal risk of capital loss. Lowering the risk generally means lowering the potential income and overall return.
- *Income with moderate growth.* This investment objective emphasizes generation of current income with a secondary focus on moderate capital growth.
- *Growth with income.* This investment objective emphasizes modest capital growth with some focus on generation of current income.
- *Growth.* This investment objective emphasizes achieving high long-term growth and capital appreciation. There is little focus on generation of current income.
- *Aggressive growth.* This investment objective emphasizes aggressive growth and maximum capital appreciation, with no focus on generation of current income. This objective has a very high level of risk and is for investors with a longer time horizon.

Both the client and IAR are required to review and approve the initial Investment Objective. As a client approaches the Retirement Age, the Algorithm will automatically adjust the client's asset allocation. Any change to the Investment Objective directed by a client due to changes in the Client's risk tolerance and/or Retirement Age will require written approval from the client and IAR before implementation. Failure to approve the change in Investment Objective may result in a client remaining in a Model Portfolio that is no longer aligned with the applicable Client Profile. The Investment Objective selected for the account is an overall objective for the entire account and may be inconsistent with a particular holding and the account's performance at any time and may be inconsistent with other asset allocations suggested to client by LPL, IAR or FutureAdvisor prior to client entering into the Account Agreement. Achievement of the stated investment objective is a long-term goal for the account, and asset withdrawals may impair the achievement of client's investment objectives. A Client Profile that includes a conservative risk tolerance over a long-term investment horizon may result in the selection of an Investment Objective that is riskier than would be selected over a shorter-term investment horizon. Clients should contact IAR if they believe the Investment Objective does not appropriately reflect the Client Profile, such as their risk tolerance.

By executing the Account Agreement, clients authorize LPL, IAR and FutureAdvisor to have discretion to buy and sell only open-end mutual funds ("Mutual Funds") and exchange-traded funds ("ETFs") (collectively, "Program Securities") according to the Model Portfolio selected and, subject to certain limitations described in the Account Agreement, hold or liquidate previously purchased non-model securities that are transferred into the account ("Legacy Securities"). In order to be transferred into an account, Legacy Securities must be Mutual Funds with which LPL has a full or partial selling agreement, ETFs or individual U.S. listed stocks. Securities that are not Program Securities included within the

Model Portfolio will not be purchased for an account, and FutureAdvisor, in its sole discretion, will determine whether to hold or sell Legacy Securities, generally, but not solely, with the goal of optimizing tax impacts for accounts that are subject to tax. Additional Legacy Securities will not be purchased for the account. Clients may not impose restrictions on liquidating any Legacy Securities for any reason. Clients should not transfer in Legacy Securities that they are not willing to have liquidated at the discretion of FutureAdvisor.

In addition, uninvested cash may be invested in money market funds, the Multi-Bank Insured Cash Account (“ICA”) or the Deposit Cash Account (“DCA”), as applicable, as described in the Account Agreement. Dividends paid by the Program Securities in the account will be contributed to the cash allocation and ultimately reinvested into the account based on the Model Portfolio once the tolerance within cash allocation is surpassed.

Pursuant to the Account Agreement, FutureAdvisor is authorized to perform tax harvesting when deemed acceptable by the Algorithm. None of the client, IAR or LPL can alter trades made for tax harvesting purposes. In order to permit trading in a tax-efficient manner, the Account Agreement also grants FutureAdvisor the authority to select specific tax lots when liquidating securities within the account. Although the Algorithm attempts to achieve tax efficiencies, by doing so the client’s portfolio may not directly align with Model Portfolio. As a result, the client may receive advice that differs from the advice received by accounts using the same Model Portfolio, and the client’s account may perform differently than other accounts using the same Model Portfolio.

During the term of the Account Agreement, FutureAdvisor will perform a daily review of the account to determine if rebalancing is appropriate based on tolerance thresholds established by LPL and/or FutureAdvisor. At each rebalancing review, the account will be rebalanced if at least one of the account positions is outside such thresholds, subject to a minimum transaction amount established by LPL and/or FutureAdvisor. In addition, LPL and/or FutureAdvisor may review the account for rebalancing in the event that the Portfolio Strategist changes a Model Portfolio. FutureAdvisor may delay placing rebalancing transactions for non-qualified accounts by a number of days, to be determined by FutureAdvisor, in an attempt to limit short-term tax treatment for any position being sold. In addition, trading in the account at any given time is also subject to certain conditions, including but not limited to, conditions related to trade size, compliance tests, the target cash allocation and allocation tolerances. None of the client, [Advisor] or LPL can alter the rebalancing frequency.

### **Selection of FutureAdvisor as Third-Party Robo Advisor**

Under IFP’s agreement with LPL, IFP was provided the opportunity to offer GWP, which utilizes FutureAdvisor’s Algorithm as described herein, to prospective clients. IFP is not affiliated with FutureAdvisor. FutureAdvisor is compensated directly by LPL for its services, including the Algorithm and related software, through an annual sub-advisory fee (tiered based on assets under management by FutureAdvisor, at a rate ranging from 0.10% to 0.17%). As each asset tier is reached, LPL’s share of the compensation shall increase and clients will not benefit from such asset tiers. No additional fee is charged for FutureAdvisor’s services.

IFP believes that certain clients may benefit from GWP’s advisor-enhanced advisory services, particularly due to the relatively low minimum account balance and the combination of a digital advice solution with access to an advisor. Unlike direct-to-consumer Robo platforms, IFP is responsible on an ongoing basis as investment advisor and fiduciary for the client relationship, including for recommending the program for the client; providing ongoing monitoring of the program, the performance of the account, the services of LPL and FutureAdvisor; determining initial and ongoing suitability of the program for the client; reviewing clients’ suggested portfolio allocations; reviewing and approving any change in

Investment Objective due to changes clients make to their Client Profile; answering questions regarding the program, assisting with paperwork and administrative and operational details for the account; and being available to clients to discuss investment strategies, changes in financial circumstances, objectives or the account in general in person or via telephone. IAR may also recommend other suitable investment programs if clients have savings goals or investment needs for which GWP is not the optimal solution.

### **Fees for LPL Advisory Programs**

The account fee charged to the client for each LPL advisory program is negotiable, subject to a maximum account fee as described in the program's brochure.

GWP Educational Tool provides access to sample recommendations at no charge to users. However, if users decide to implement sample recommendations by executing trades, they will be charged fees, commissions, or expenses by the applicable broker or adviser, as well as underlying investment fees and expenses. Account fees are payable quarterly in advance, except that the SMS fee is paid in arrears on the frequency agreed to between client and Advisor.

Excluding SMS and GWP, LPL serves as program sponsor, investment advisor and broker-dealer for the LPL advisory programs. In the Managed Service of GWP, LPL is appointed by each client as custodian of account assets and broker-dealer with respect to processing securities transactions for the accounts. In general, FutureAdvisor, in its capacity as investment advisor, will submit transactions through LPL; however, FutureAdvisor may choose to execute transactions through a broker-dealer other than LPL, subject to its duty to seek to achieve best execution. When securities transactions are effected through LPL, there are no brokerage commissions charged to the account. If FutureAdvisor chooses to execute a transaction through a broker-dealer other than LPL, the execution price may include a commission or fee imposed by the executing broker-dealer. In evaluating whether to execute a trade through a broker-dealer other than LPL, Future Advisor will consider the fact that the account will not be charged a commission if the transaction is effected through LPL.

IFP and LPL may share in the account fee and other fees associated with program accounts. IARs of IFP may also be registered representatives of LPL. Under SMS, LPL serves as investment advisor, but not the broker-dealer. IFP and LPL may share in the advisory portion of the SMS fee.

### **Potential Conflicts of Interest**

IFP and its IAR receive compensation as a result of a client's participation in an LPL program. Depending on, among other things, the type and size of the account, type of securities held in the account, changes in its value over time, the ability to negotiate fees or commissions, the historical or expected size or number of transactions, and the number and range of supplementary advisory and client-related services provided to the client, the amount of this compensation may be more or less than what the IFP would receive if the client participated in other programs, whether through LPL or another sponsor, or paid separately for investment advice, brokerage and other services.

The account fee may be higher than the fees charged by other investment advisors for similar services. For instance, FutureAdvisor offers direct-to-consumer services similar to GWP. Therefore, clients could generally pay a lower advisory fee for algorithm-driven, automated ("Robo") investment advisory services through FutureAdvisor or other Robo providers. However, clients using such direct Robo services will forgo opportunities to utilize LPL-constructed model portfolios or to work directly with a financial advisor.

Clients should consider the level and complexity of the advisory services to be provided when negotiating the account fee (or the advisor fee portion of the account fee, as applicable) with IAR. With regard to accounts utilizing third-party portfolio managers under aggregate, all-in-one account fee structures (including MAS, PWP and the legacy MWP fee structure), because the portion of the account fee retained by IAR varies depending on the portfolio strategist fee associated with a portfolio, IAR has a financial incentive to select one portfolio instead of another portfolio.

### **Use of Third-Party Managers**

IARs may recommend third-party asset money managers ("TPAMs") to manage part or all of the client's portfolio. TPAMs may be recommended when the TPAMs' philosophy, investment strategy and style meets the client's financial situation, investment objectives and risk tolerance. The asset management services provided by the TPAMs, the compensation to be paid, and other terms of the relationship between the client and the TPAMs will be described in the TPAMs' disclosure documents and its managed account agreement. IFP will receive a portion of the investment advisory fee paid by the client to the TPAMs.

IARs are not permitted to recommend TPAMs unless the TPAMs has been approved by IFP. Before approving any TPAMs, IFP reviews and conducts due diligence on the TPAMs, including the programs they offer, their financial statements, their management, their track record and performance, their Part 2A of Form ADV, disclosure documents, their investment advisory agreement(s), their registration history, and any complaints or disciplinary actions that may have been taken against the TPAM by regulatory bodies.

IFP will not approve a TPAM until it has conducted due diligence on the TPAMs' knowledge, experience, investment philosophy and style and performance history. The investment advisory fee charged varies depending on the TPAM and the amount of assets under management. The investment advisory fee to be charged is disclosed and agreed upon by the client in the TPAM's Investment Advisory Agreement.

The client gives the TPAM discretionary authority over the client's account held at the TPAM. Neither IFP nor the IAR provides investment advice to the TPAM and the investment strategy and any recommendations, portfolio and/or asset allocation changes are solely up to the discretion of the TPAM. IFP conducts periodic reviews and monitors the TPAMs, including their investment performance. IFP may terminate a TPAM if IFP determines that it no longer meets IFP's criteria. IARs will periodically review the TPAM's performance, and will discuss with their clients whether the TPAM is continuing to meet the client's investment objectives, goals and risk tolerance as agreed upon under the TPAM's investment advisory agreement. The IAR may make a recommendation to the client whether or not to continue to use the TPAM. IFP cannot predict or make assurances that any TPAM will continue to meet or maintain its stated investment objectives or performance.

### **Schwab and other Custodian Programs**

IFP uses the Schwab Institutional Intelligent Portfolios™ program and may use and recommend other similar types of automated investment advisory platform programs with other Custodians for some of its Clients. These types of programs are commonly known as ROBO investment advisory platforms, because they are automated platforms where the client can open an account directly with the ROBO without the assistance of the IAR. Some ROBO platforms may offer lower minimum account size requirements. Some may offer a more limited number of investment options available to the client on the ROBO platform. There may be less frequent contact with the client by the IAR depending on the type of ROBO platform, however IARs are required to have a client contact no less than annually with each client.

Independent Financial Partners ("IFP") is not owned or controlled by or affiliated with Schwab Wealth Investment Advisory, Inc. ("SWIA"), Charles Schwab & Co., Inc. ("CS&Co"), Charles Schwab Bank or any of its affiliates IFP and its IAR and not Schwab are providing the investment advisory services to IFP's Clients.

IFP and not Schwab is responsible for choosing an investment strategy and portfolio available through the Schwab Institutional Intelligent Portfolios™ program and determining the suitability of the Schwab Institutional Intelligent Portfolios™ program based on the Client's investment objectives, risk tolerance, needs and goals. The advisory fee Client pays to IFP is not set or supervised by Schwab. SWIA's role is limited to delivering the Disclosure Brochure for the Schwab Institutional Intelligent Portfolios™ program and administering the program so that it operates as described in that Disclosure Brochure.

CS&Co acts solely as a broker-dealer and not as an investment advisor to IFP's Client. CS&Co maintains custody of Clients' account assets and executes trades for the Clients' Accounts. Schwab is not responsible to Client for the Schwab Institutional Intelligent Portfolios™ program, any portfolio, wash sales or other tax consequences of tax-loss harvesting, or IFP's suspension or resumption of trading in Client's Account.

Schwab disclaims all warranties, express and implied with regard to the Schwab Institutional Intelligent Portfolios™ program. In no event, will Schwab be liable to Client for any damages of any kind with respect to the Schwab Institutional Intelligent Portfolios™ program. Client understands and agrees that it is not a third-party beneficiary of the Agreement between Schwab and IFP. Client shall not have any cause of action or any other rights or remedies under that Agreement. Client agrees that Schwab and its affiliates are express and intended third party beneficiaries of this Agreement and that the terms and conditions of this Agreement relating to Schwab inure to the benefit of and may be enforced by Schwab.

IFP provides portfolio management services through Schwab Institutional Intelligent Portfolios™ and other automated online investment advisory platforms. Through these programs IFP offers clients a range of investment strategies that IFP has constructed and manages. Portfolios can consist of Exchange Traded Funds ("ETFs") and other securities depending on the platform. The Client may instruct IFP to exclude up to three ETFs from their Schwab Institutional Intelligent Portfolios™ portfolio. The Client's Schwab Institutional Intelligent Portfolios™ portfolio is held in a brokerage account opened by the Client at Charles Schwab & Co., Inc. ("CS&Co"). IFP is not owned or controlled by or affiliated with Schwab or CS&Co or its affiliates. The Schwab Wealth Investment Advisory, Inc. Institutional Intelligent Portfolios™ is described in more detail in the Schwab Wealth Investment Advisory, Inc. Disclosure Brochure which is delivered to clients by SWIA during the online enrollment process.

IFP and not Schwab is the Client's Registered Investment Adviser and primary point of contact with respect to the Schwab Institutional Intelligent Portfolios™ program. IFP and not the program sponsors are solely responsible for determining the suitability of any program for the Client, choosing a suitable investment strategy and portfolio for the client's investment objectives, risk tolerance, needs and goals, and managing that portfolio on an ongoing basis. The program provider's role is limited to delivering its program Disclosure Brochure to IFP's Clients and administering the program so that it operates as described in the program Disclosure Brochure.

IFP has contracted with Schwab to provide it with the technology platform and related trading and account management services for the Schwab Institutional Intelligent Portfolios™. These types of platforms help enable IFP to make these programs available to clients online and they include systems that automate certain key parts of IFP's investment process. The programs include online questionnaires that help IFP determine the client's investment objectives and risk tolerance and select an appropriate investment strategy and portfolio. Clients should note that IFP will recommend a portfolio based on Client's answers to the online questionnaires. The Client may then indicate an interest in a portfolio that may be more conservative or aggressive than the recommended portfolio, but IFP makes the final decision and selects a portfolio based on all the financial and suitability information, investment objectives and risk tolerance provided by the Client. These programs usually also include an automated investment engine through which IFP manages the Client's portfolio on an

ongoing basis through automatic rebalancing and tax-loss harvesting (if the client is eligible and elects).

IFP does not receive a portion of a wrap fee for its services to Clients through the Schwab Institutional Intelligent Portfolios™ program. Clients do not pay fees to SWIA in connection with the Schwab Institutional Intelligent Portfolios™ program, but IFP charges clients an investment advisory fee for its services as described below under Item 5 Fees and Compensation. IFP's investment advisory fees are not set or supervised by Schwab or any other program providers. Clients do not pay brokerage commissions or any other fees to CS&Co as part of the Schwab Institutional Intelligent Portfolios™ program. Schwab does receive other revenues in connection with the program, as described in the Schwab Institutional Intelligent Portfolios™ program Disclosure Brochure.

IFP does not pay SWIA fees for its services in the Schwab Institutional Intelligent Portfolios™ program provided IFP maintains \$100 million in client assets in accounts held at CS&Co that are not enrolled in the Schwab Institutional Intelligent Portfolios™ program. If IFP does not meet this client asset level, then it pays SWIA an annual fee of 0.10% (10 basis points) on the value of IFP's Clients' assets in the Schwab Institutional Intelligent Portfolios™ Program. This fee arrangement may create a conflict of interest as it may provide IFP with an incentive to recommend or require that its clients with accounts not enrolled in the Schwab Institutional Intelligent Portfolios™ Program be maintained with CS&Co.

Clients eligible to enroll in the Schwab Institutional Intelligent Portfolios™ program include individuals, IRAs and revocable living trusts. Clients that are organizations (such as corporations and partnerships) or government entities, and clients that are subject to the Employee Retirement Income Security Act of 1974, are not eligible for the Schwab Institutional Intelligent Portfolios™ program. The minimum investment required to open an account in the Schwab Institutional Intelligent Portfolios™ program is \$5,000. The Schwab Institutional Intelligent Portfolios™ program Disclosure Brochure describes related minimum required account balances for maintenance of the account, automatic rebalancing, and tax-loss harvesting.

### **Financial Planning**

IARs may offer fee-based financial planning services. Financial planning involves an evaluation of a client's current and future financial situation using currently known variables to estimate future cash flows, asset values and withdrawal plans. Financial planning may be comprehensive based on all of the client's goals or may be more limited in scope to specific goals depending on the needs of the client. Clients will receive a written financial plan/analysis/report depending on the type and scope of the financial planning conducted and agreed upon with the IAR. The client signs a Financial Planning Services Agreement which outlines the financial planning services to be completed and the deliverable to be provided to the client by the IAR. The financial plan may address part or all the following areas:

- Asset Allocation: Based on the client's financial situation, investment objectives, and risk tolerance, IARs may develop a financial plan/analysis/report and make asset class or asset mix recommendations.
- Education Planning: Based on the client's financial situation, investment objectives, and risk tolerance, IARs may develop a financial plan/analysis/report and make recommendations as to the savings and investment goals clients would need to set to fund education goals.
- Estate Planning: Based on the client's financial situation, investment and estate distribution objectives, and risk tolerance, IARs may develop a financial plan/analysis/report and make recommendations for strategies to help provide clients with estate value retention and liquidity.
- Financial Statements and Portfolio Reports: IARs may provide clients with a financial statement or portfolio report and analysis.
- General Analysis and Planning: IARs can also provide planning on a more focused basis. Based on the

client's financial situation, investment objectives, and risk tolerance, IARs may develop a financial plan/analysis/report in specific financial planning in areas, including but not limited to estate planning, retirement planning or business planning.

- **Insurance Analysis:** Based on the client's financial situation, investment objectives, and risk tolerance, IARs may develop a financial plan/analysis/report as to the adequacy of the client's life insurance death benefit coverage and make recommendations to address any gaps in life insurance.
- **Retirement Planning and Analysis:** Based on the client's financial situation, investment objectives, and risk tolerance, IARs may develop a financial plan/analysis/report and recommend the savings and investment goals clients would need to set to meet the capital and income needed to maintain the client's standard of living after retirement.
- **Business Retirement Planning:** Based on a business's objective to provide or assess retirement planning opportunities for its employees and/or partners, IARs may develop a financial plan/analysis/report based on a current business retirement plan, assist in the review or preparation of an Investment Policy Statement or work with the business to develop and implement a company retirement plan.

IARs gather financial and asset information from the client to develop the financial plan/analysis/report. Information gathered includes, but is not limited to the client's income, expenses, assets, liabilities, tax status, future goals, investment objectives, and risk tolerance. Based on the results of the financial plan/analysis/report the IAR may make recommendations to the client to achieve his or her stated goals. Financial planning recommendations are not product specific. The decision to implement the financial plan/analysis/report recommendations is entirely at the client's discretion.

The financial plan/analysis/report will usually be delivered to the client within 120 days from the date that the Financial Planning Agreement was signed by the client provided all information needed to prepare the financial plan/analysis/report has been provided to the IAR by the client.

Clients should be aware that there can be no assurance or guarantee that any of the goals and objectives outlined in the financial plan/analysis/report may be achieved.

### **Retirement Plan Advisory Services**

IFP provides investment advisory services to employer sponsored retirement plans, including but not limited to 401(k), 457(b), 403(b), and pension and profit sharing plans. Services include non-discretionary investment advice for an investment advisory fee where IARs may make recommendations to the plan administrator or sponsor and the plan administrator or sponsor retains full discretionary authority and control over its plan's assets. When acting on a non-discretionary basis, IFP and its IARs act as a fiduciary to the plan, as defined under Section 3(21)(A)(ii) of the Employee Retirement Income Security Act of 1974 ("ERISA"). IFP may also serve as an investment manager authorized to act on a discretionary basis to an employer sponsored retirement plan, as defined in ERISA under Section 3(38). IFP and/or its IARs when acting as a plan fiduciary under Section 3(38) exercise discretionary authority or control over assets in the retirement plan. IFP and its IARs are granted full discretionary authority to select, monitor, remove and replace the investment options offered under the retirement plan subject to any limitations as described in the IFP Retirement Plan and Consulting Agreement. IFP also may provide other administrative services to the plan's administrator or sponsor, including providing services for which it does not act as a fiduciary to the retirement plan.

IFP and the retirement plan's plan administrator or sponsor enter into a Retirement Plan Advisory Services Agreement which describes the terms of the investment advisory services offered by IFP to the retirement plan. The Retirement Plan Advisory Services Agreement will include a menu of advisory services to be performed by IFP and its IAR.



Retirement plan advisory services may include, but are not limited to:

1. Non-discretionary Investment Advisory Services:

- a. Recommendations to establish or revise the retirement plan's Investment Policy Statement ("IPS")
- b. Recommendations to select and monitor investments
- c. Recommendations to select and monitor Qualified Default Investment Alternatives ("QDIA")
- d. Recommendations to allocate and rebalance model allocation portfolios ("Model Portfolios")
- e. Recommendations to select and monitor Investment Managers
- f. Recommendations and providing investment advice to individual plan participants

2. Discretionary Investment Management Services:

- a. Selection and monitoring of the retirement plan's Designated Investment Alternatives ("DIAs")
- b. Creation and maintenance of model asset allocation portfolios
- c. Management of Qualified Default Investment Alternatives ("QDIAs")
- d. Managing the investment portfolios for individual participants

3. ERISA Non-Fiduciary Services:

- a. Retirement plan governance and fiduciary education
- b. Assisting the plan administrator/sponsor with selecting and reviewing other service providers
- c. Investment education for Plan Fiduciaries
- d. Employee investment education and communication

IFP may provide non-ERISA plan investment advisory advice to the plan's administrator or sponsor or the company retirement plan's Board of Directors. IFP may also provide the plan's administrator or sponsor or Board of Directors investment advisory services through a separate Retirement Plan Services Agreement on a fee for service basis.

In performing its investment advisory services, IFP is not required to verify or audit the information received from the plan's administrator or sponsor or from the plan's administrator's/sponsor's other designated professional(s). The client is under no obligation to engage the services of any professional recommended by IFP. The client retains discretion over any implementation decisions and may accept or reject any recommendation from IFP or its IAR. It is the client's responsibility to promptly notify IFP if there is any change in the client's financial situation or investment objectives.

**Employee and/or Plan Participant Communications:**

For pension, retirement, profit sharing and 401(k) plan clients in self-directed plans, IFP will provide periodic educational investment meetings to the plan's participants. Topics to be discussed will be determined in conjunction with the plan sponsor and in accordance with guidelines established in ERISA under Section 404(c). The meetings are intended to provide education to the plan's participants about the plan and the investment options available to the participants, but are not intended to and do not provide plan participants with individual investment advice or asset allocation investment recommendations.

**Business Continuity Plan**

IFP has established a Business Continuity Plan ("BCP"). The BCP describes how IFP would respond to significant business disruptions and provide clients with alternative contact information and access in the

event of a significant business disruption. The BCP may be found at [www.ifpartners.com](http://www.ifpartners.com). It is also available upon written request.

**Assets Under Management**

As of December 31, 2016, IFP had assets under management and assets under advisement as follows:

Discretionary Managed Assets .....	\$4.805 billion
Non-Discretionary Managed Assets.....	\$492.385 million
Assets Under Advisement (not managed) .....	\$32.364 billion

**ITEM 5. FEES AND COMPENSATION**

**Portfolio Management Fees**

**Description of Fees and Compensation**

In general, fees for IFP’s investment advisory services are based on a percentage of the client’s assets under management. Based on the agreed terms of the signed Agreement, investment advisory fees may be charged quarterly or monthly based on the following methods: 1) in advance based on the value of assets in the account at the end of the previous quarterly billing period, or 2) in arrears based on the balance at the end of the current billing period. Under no circumstances does IFP require or solicit payment of fees in excess of \$1,200 more than six months in advance of the services rendered. Certain clients may also have specific flat fee Agreements. Specific flat fee Agreements and calculation methods are outlined in the Investment Advisory Managed Account Agreement the client signs with IFP.

As described in *Item 4 Advisory Business*, clients do not pay fees to SWIA or brokerage commissions or other fees to CS&Co as part of the Schwab Institutional Intelligent Portfolios™ program. Schwab does receive other revenues in connection with the Schwab Institutional Intelligent Portfolios™ program, as described in the Schwab Institutional Intelligent Portfolios™ program Disclosure Brochure. Brokerage arrangements are further described below in *Item 12 Brokerage Practices*.

**Financial Planning Fees**

The fees for financial planning services are negotiable and depend on the nature of the financial planning services provided, the time and the complexity of each client’s circumstances. All fees are agreed upon prior to entering into the Financial Planning Services Agreement signed by the client.

Fees for financial planning services may be charged in the following manner:

Hourly Fees - IARs may charge an hourly fee for financial planning services. The amount of the hourly fee is set by each IAR and is described in the Financial Planning Services Agreement signed by the client.

Flat Fixed Fees - IARs may charge a flat fixed fee for specific financial planning services. The total financial planning fee will be determined based upon the nature and complexity of the financial planning services provided to the client.

The hourly or flat fixed financial planning fees charged under the Financial Planning Services Agreement are separate from any commissions that may be charged by IFP and the IAR acting in his or her capacity as a Registered Representative of LPL Financial as a result of the client implementing any recommendations made by the IAR. Generally, financial planning fees are payable at the time the client signs the Financial Planning Services Agreement. However, depending on the fee and complexity of the financial planning

services provided, the IAR may collect a portion of the fee upfront with the remaining portion due upon the delivery of the financial plan to the client. However, financial planning fee payments will not exceed \$1,200 in advance for development of a financial plan that will not be completed within six months.

Clients should understand that the flat fixed or hourly financial planning fees charged to the client may be higher than the financial planning fees charged by other investment advisers for similar services. Clients should consider the level and complexity of the planning services to be provided when negotiating the financial planning fee with their IAR.

The Financial Planning Services Agreement for financial planning services may be terminated at any time by providing written notice to the appropriate parties. Financial planning services will be terminated upon receipt of such notice without penalty. However, the client will be charged a pro-rata portion for financial planning services rendered up to the date of termination of the Agreement. After receiving notice of termination, IFP will promptly send the pro-rata refund of any financial planning fees paid in advance to the client.

### **Retirement Plan Investment Advisory Fees**

Fees for retirement plan services are negotiated prior to the signing of the Retirement Plan Advisory and Consulting Agreement. The Retirement Plan Advisory and Consulting Agreement language includes the negotiated fee, which may be charged as a percentage of the total retirement plan assets and/or as a flat annual fee. Fees may vary depending upon the advisory services agreed on and the individual retirement plan characteristics, but are generally calculated based on the fee ranges below:

<b>Plan Size</b>	<b>Price Schedule</b>
\$0 - \$5,000,000	\$5,000 + 30 basis points
\$5,000,001 - \$10,000,000	\$10,000 + 20 basis points
\$10,000,001 - \$20,000,000	\$15,000 + 15 basis points
\$20,000,001 - \$40,000,000	\$20,000 + 12.5 basis points
\$40,000,001 - \$100,000,000	\$30,000 + 10 basis points
\$100,000,001 - \$200,000,000	\$60,000 + 7 basis points
\$200,000,001 - \$500,000,000	\$100,000 + 5 basis points
\$500,000,001 - and up	Customized Pricing
<b>All fees are subject to negotiation at the sole discretion of IFP.</b>	

Fees charged for investment advisory services may be payable quarterly in advance or in arrears and are based on the market value of the client's retirement plan assets on the first or last business day of the calendar quarter. Fees may be direct billed to the client or to a third-party administrator ("TPA") or to a qualified custodian based on the client's instruction. Advisory fees charged for retirement plan clients engaging IFP in mid-quarter will be prorated and calculated on a per diem basis.

The Retirement Plan Advisory and Consulting Agreement continues in effect until terminated by either party by thirty days written notice to the other party. If any advisory relationship terminates before the last day of a calendar quarter, advisory fees will be prorated accordingly and IFP will refund any unearned advisory fees due back to the Client.

Based on the specific Retirement Plan and Consulting Agreement with the pension or retirement plan, IFP's fees for retirement plan investment advisory services may be charged as (1) an annual asset-based fee, (2) an annual flat fixed fee, or (3) a combination of both.

### **Fees in General**

In connection with the transition of IAR's clients to the LPL custodial platform and IAR's registration as a registered representative of LPL, IARs may receive financial transition support from LPL in the form of a transition credit or forgivable loans that may be forgiven over time depending on the length of IAR's registration with LPL. The transition credit received by IAR may be in the form of an upfront cash payment. The amount of the upfront cash payment represents a substantial payment. The amount of the loan, paid to the IAR may represent a substantial payment. The loan is intended to provide working capital to IAR in order to cover start up or operating costs associated with IFP. Any loan is intended to repay outstanding indebtedness issued by IAR's prior firm to IAR in order to facilitate IAR's move to LPL Financial. Client should discuss any such conflicts of interest with the IAR before making a decision to custody your assets at LPL.

The payment(s) that IAR may receive is/are in addition to the production bonuses, stock options and other economic benefits that IAR may be entitled to receive as a Registered Representative of LPL. The amount of any of these payments are significant in relation to the overall revenue earned or compensation received by the IAR at his/her prior firm. Such payments are generally based on the size of the representative's business established at his/her prior firm and/or assets expected to be under custody on the LPL platform. As a result, IAR may have a financial incentive to recommend that clients establish an account with LPL. This financial incentive creates a conflict of interest in connection with IAR's recommendation of LPL.

Clients should be aware that other investment advisers may charge lower fees for similar investment advisory services. A client could also invest on his or own in a security or a portfolio of securities directly without being charged for investment advisory services. Clients should be aware that investment advisory program fees charged may be higher or lower than if the client elected to execute transactions on a commission basis for each transaction in a commission based brokerage account. Investment advisory fees may be subject to negotiation depending upon a range of factors including, but not limited to account size and the type of investment advisory services provided.

Clients should consider the value of these investment advisory services when making such comparisons. The combination of custodial, investment advisory and brokerage services provided may not be available separately or would require maintaining multiple accounts, documentation, and fees. Clients should also consider the amount of anticipated volume of trading activity when selecting among the investment advisory programs when assessing the overall cost. Investment advisory programs typically take into consideration certain volume of trading activity and therefore, under particular circumstances, prolonged periods of inactivity or asset allocations with significant fixed income or cash allocations may result in higher investment advisory fees being paid over time than if the client had been charged a commission separately for each transaction.

A portion of the investment advisory fees or commissions charged for the programs may be paid to IFP in connection with soliciting clients to third-party advisers under a Solicitor's Agreement. This compensation may be more or less than if the client paid separately for the third-party money managers investment advice, brokerage, and other services, and may vary depending on the investment advisory program or services offered by the third-party adviser.

## **Account Termination**

Termination and refund terms and conditions are outlined in each client's Investment Advisory Managed Account Agreement with IFP. TPAMs and other program sponsor(s) selected by IFP for clients have their own policies for account terminations and refunds. IFP typically has no control over any contractual provisions imposed by third parties.

## **ITEM 6. PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

IFP does not charge any investment advisory fees based on a share of capital gains or on capital appreciation of the assets of a client.

IFP does not participate in any investment advisory programs that charge performance-based fees, nor does IFP permit its IARs to enter performance-based fee arrangements with their clients.

Many IARs also make individual recommendations in commission based brokerage accounts for their clients. The client's investment objectives and risk tolerance in a commission brokerage account may be different than those in the client's investment advisory asset management accounts. Additionally, clients in commission brokerage accounts may receive an execution price that may be higher or lower than the execution price in an investment advisory account.

## **ITEM 7. TYPES OF CLIENTS**

IFP provides investment advisory services to the following types of clients:

- Individuals, including high net worth individuals
- Pension and Profit Sharing Plans
- Charitable Organizations
- Corporations, Partnerships and other businesses not listed above

## **ITEM 8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

IARs use a variety of methods to analyze a client's situation as well as economic factors to develop investment advice and recommendations. IARs may use one or more of the following methods of analysis to formulate investment advice or manage the client's account:

**Charting** - In this type of technical analysis, the IAR reviews charts of market and security activity in an attempt to identify when the market is moving up or down and to predict how long the trend may last and when that trend might reverse.

**Fundamental Analysis** – IARs evaluate economic and financial factors to determine if a security may be underpriced, overpriced or fairly priced. Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

**Technical Analysis** - IARs analyze past market movements and apply that analysis to the present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement. Technical analysis does not consider the underlying financial condition of a company. This presents a risk in that a poorly-managed or financially unsound company may underperform regardless of market movement.

**Cyclical Analysis** – In this type of technical analysis, IARs measure the movements of a particular stock

against the overall market in an attempt to predict the price movement of the security.

**Quantitative Analysis** - IARs use mathematical models in an attempt to obtain more accurate measurements of a company's quantifiable data, such as the value of a share price or earnings per share, and predict changes to that data. A risk in using quantitative analysis is that the models used may be based on assumptions that prove to be incorrect.

**Qualitative Analysis** – IARs subjectively evaluate non-quantifiable factors and attempt to potentially predict changes to share price based on that data.

**Asset Allocation** – IARs attempt to identify an appropriate ratio of asset classes that are consistent with the client's investment objectives and risk tolerance.

**Mutual Fund and/or ETF Analysis** – IARs evaluate a variety of factors in an attempt to potentially predict the future performance of the mutual fund or ETF. The IAR may consider the experience, expertise, investment philosophy, strategy and past performance to determine if a manager has demonstrated the ability to invest over a period of time and in different market conditions. The IAR may monitor the manager's underlying holdings, strategies and concentrations. A risk of mutual fund and/or ETF analysis is that, as in all securities investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a fund or ETF, managers of different funds held by the client may purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the fund or ETF, which could make the holding(s) less suitable for the client's portfolio.

**Third-Party Money Manager Analysis** - IFP examines the experience, expertise, investment philosophies, and past performance of independent third-party investment managers in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. IFP may monitor the manager's underlying holdings, strategies, concentrations and the due-diligence process and survey the manager's compliance and business enterprise risks. A risk of investing with a third-party manager who has been successful in the past is that he/she may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a third-party manager's portfolio, there is also a risk that a manager may deviate from the stated investment mandate or strategy of the portfolio, making it a less suitable investment for our clients. Moreover, as IFP does not control the manager's daily business and compliance operations, IFP may be unaware of the lack of internal controls necessary to prevent business, regulatory or reputational deficiencies.

Recommendations will be based on the information provided by the client, the IARs discussions with the client, the IARs analysis of the client's financial situation, investment objectives and risk tolerance and general economic or tax considerations. If the client's personal, financial situation, investment objectives or risk tolerance change they are advised to promptly notify their IAR. Clients should discuss with their IAR the methods of analysis and strategies used by the IAR.

### **Risks of Various Methods of Analysis**

There are risks inherent in each type of analysis described above. For example, a risk of any method analysis that considers the past performance of investments for future performance is that past performance does not guarantee future results. Some methods of analysis, such as fundamental analysis focus on identifying the value of the company without considering external factors, such as market movements. Failure to consider external factors presents a potential risk, as the price of a security may be impacted by

the overall market, regardless of the economic and financial factors considered in evaluating the specific risk. Other methods of analysis, such as technical analysis evaluate external factors, but do not consider the underlying financial condition of the company. Failure to consider a company's underlying value presents a risk that a poorly managed or financially unsound company may under-perform regardless of positive market movements.

A risk of investing with a third-party money manager who has been successful in the past is that the manager may not be able to replicate that success in the future. Therefore, any method of analysis is not proven to work in all market conditions. All investments and investment strategies involve various risks, and there is no guarantee that any investment or investment strategy will meet its objective(s). Investing in the financial markets always involves the possible risk of loss of principal.

The Schwab Institutional Intelligent Portfolios™ program Disclosure Brochure includes a language of the various risks associated with the Schwab Institutional Intelligent Portfolios™ program, including the risks of investing in ETFs, as well as risks related to the underlying securities in which ETFs invest. In addition, the Schwab Institutional Intelligent Portfolios™ program Disclosure Brochure also describes market/systemic risks, asset allocation, strategy, diversification risks, investment strategy risks, trading and liquidity risks, and large investment risks.

## **ITEM 9. DISCIPLINARY INFORMATION**

IFP is required to disclose any disciplinary actions against the firm. The detailed information for the actions below can also be found on IFP's Form ADV Part 1 on the SEC's website at [www.sec.gov](http://www.sec.gov).

IFP discloses the following disciplinary information:

On January 13, of 2012, IFP agreed to and signed a Stipulation and Consent Order with the State of Florida Office of Financial Regulation that IFP and two of its IARs engaged in investment advisory business in the state of Florida without being properly registered. IFP paid a \$20,000 fine and also paid \$10,000 fines on behalf of each IAR.

On October 7, 2013, IFP agreed to and paid an Administrative Penalty in the amount of \$2,500 to the State of California, Department of Business Oversight for failing to properly register an IAR in the State of California.

On December 3, 2013, IFP agreed to and signed a Cease and Desist Order with the State of Oregon, Department of Consumer and Business Services, Division of Finance and Corporate Securities for failing to properly license an IAR who had a place of business in the state of Oregon. IFP paid a \$3,600 fine.

## **ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

### **Affiliations**

The majority of IFP's Investment Adviser Representatives ("IARs") also solicit, recommend, offer and sell securities through LPL. The majority are also licensed as independent insurance agents and hold insurance licenses in the states where they solicit, offer and sell insurance products and are appointed with and represent various insurance companies. As such, IARs are able to receive separate, yet customary commission compensation resulting from implementing from the purchase and sales of securities and insurance product transactions on behalf of their investment advisory clients. Clients are not under any obligation to purchase or sell securities or insurance products through the IAR when considering whether to implement any investment advisory recommendations made by the IAR. The decision to implement any or all recommendations is solely based on the discretion of the client.

While IFP and its IARs endeavor at all times to put the best interest of the clients first as part of our fiduciary duty, clients should be aware that the potential to receive, and the receipt of additional

compensation itself creates a conflict of interest, and may affect the judgment of IARs when making recommendations. Please refer to Item 12 for a description of the benefits IFP may receive from LPL Financial and the conflicts of interest associated with receipt of such benefits.

### **Other Outside Business Activities**

Some IARs may own or be affiliated with other outside independent Registered Investment Adviser (“RIA”) firms. These firms are not affiliated with and are not owned or controlled by IFP and their activities of are not supervised by IFP. Typically, IARs that own or are affiliated with another independent RIA firms may only offer and provide fee based financial planning services through the RIA.

Fees for financial planning services provided by the IAR through their own independent RIA are separate and distinct from any fees paid to IFP in their capacity as an IAR of IFP.

Clients that engage an IAR through an independent RIA firm will receive a copy of that firm’s disclosure documents and execute a financial planning client agreement specifying the financial planning services to be provided and fees to be charged by the independent RIA.

Certain IARs may have other business activities and offer other professional services, such as tax preparation, accounting, legal, real estate, employee benefits consulting, or have other businesses, that are outside business activities from their registration as an IAR of IFP. IFP does not supervise or receive compensation from these other outside business activities. IARs engaging in these other outside business activities do so independently of their registration with IFP.

IFP may also enter into certain arrangements to offer brokerage and advisory services to the clients of independent unaffiliated financial institutions, including but not limited to credit unions, credit union service organizations, banks and savings banks. A portion of the client’s investment advisory fee will be paid by IFP to the financial institution pursuant to a fee sharing arrangement as long as the agreement with the institution is in effect. The financial institution does not provide any investment advisory services to the client.

Clients should be aware that the receipt of additional compensation by IFP, its management persons, its IARs or employees may create a conflict of interest that has the potential to impair the objectivity of IFP, its management persons and IARs when making investment advisory recommendations. IFP and its IARs endeavor at all times to place the best interest of our clients first as part of our fiduciary duty as a Registered Investment Adviser. IFP takes steps, including but not limited to the those below to help address potential conflicts and conflicts of interest:

- IFP discloses to clients the existence of material conflicts of interest, including the potential for IFP, its IARs and employees to earn compensation from advisory clients in addition to our advisory fees;
- IFP discloses to clients that they are not obligated to purchase recommended investment products through our IARs;
- IFP collects, maintains relevant client background information, including the client's financial goals, objectives and risk tolerance;
- IFP conducts periodic reviews of client accounts to verify that recommendations made to a client are suitable based on the client’s stated investment objectives, risk tolerance, time horizon and needs;
- LPL Financial does not permit IFP’s IARs that are dually registered with LPL Financial to earn commissions on securities purchased for IFP advisory clients
- IFP requires that prior to engaging in an outside business activity the IAR must make a written request and receive written approval to ensure that any conflicts of interests in outside business activities are properly addressed;



- IFP periodically monitors its IARs' outside business activities to verify that any conflicts of interest continue to be properly addressed; and
- IFP requires that all IARs and employees receive initial and annual training regarding the responsibilities of acting as a fiduciary

## **ITEM 11. CODE OF ETHICS, PARTICIPATION IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

### **Code of Ethics**

IFP has adopted a Code of Ethics that includes a Personal Trading Policy that applies to all of our employees and IARs. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts, the reporting of certain gifts and business entertainment items, and personal securities trading procedures. Upon employment or affiliation and at least annually thereafter, all supervised persons will acknowledge that they have read, understand and agree to comply with VSR's Code of Ethics.

In compliance with the Insider Trading and Securities Fraud Enforcement Act of 1988 ("ITSFEA"), IFP has established and will maintain and enforce written policies reasonably designed to prevent the misuse of material, nonpublic information by IFP or any person associated with IFP. In consideration of and in compliance with ITSFEA, IFP forbids any officer or employee, either personally or on behalf of others, to trade on material, nonpublic information or to communicate such information to others in violation of the law.

An investment adviser is considered a fiduciary as defined under the Investment Advisers Act of 1940. As a fiduciary, it is an investment adviser's responsibility to provide fair and full disclosure of all material facts and to act solely in the best interest of each of our clients at all times. IFP, its employees, and its IARs have a fiduciary duty to all advisory clients. To assist our employees and IARs in meeting these obligations, IFP has adopted standards of business conduct that are outlined in our Code of Ethics. IFP requires all of its supervised persons to conduct business with integrity and to comply with all federal and state securities laws at all times.

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

There may be instances where an IAR will recommend to investment advisory clients or prospective clients the purchase or sale of securities in which IFP, its affiliates, the IAR and/or other clients may also have a position or interest.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis. Generally, in such circumstances the affiliated and client accounts will share execution costs equally and receive a total average price. IFP will retain records of the trade order specifying each participating account and its allocation. Completed trade orders will be allocated according to the instructions from the initial trade order. Partially filled trade orders will be allocated on a pro-rata basis. Any exceptions will be explained on the trade order. Additional information on IFP's trade aggregation policies can be found in Item 12.

### **Personal Trading**

Subject to IFP's Code of Ethics and applicable securities laws, the employees and IARs of IFP and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased by IFP's clients. The Code of Ethics is designed to assure that the personal securities transactions of the employees and IAR of IFP will not interfere with (1) making recommendations and decisions in the best interest of investment

advisory clients and (2) when implementing such decisions allowing employees to invest for their own accounts.

IFP and the IARs may or may not maintain investment positions in their personal portfolios that are recommended to clients. In fact, IFP and the IARs may take positions or execute transactions for their personal accounts which are materially different than the positions or transactions recommended for their clients. Employees and IARs are expected to purchase or sell a security for their personal accounts only after trading of that same security has been executed in customer accounts.

The Code of Ethics requires pre-clearance of certain transactions and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity in clients' accounts with a security also held by an employee. Therefore, a potential conflict of interest exists when IFP and its IARs purchase and sell the same securities owned by our clients. Trading activity of IARs and employees is reviewed and monitored under the Code of Ethics to help reasonably prevent this conflict of interest in trading between IFP and its clients.

IFP's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting the firm at the address noted on the cover of this brochure.

## **ITEM 12. BROKERAGE PRACTICES**

### **Research and Other Benefits**

The custodians used by IFP may make available other products and services that benefit IFP, but may not directly benefit the client or their accounts. These products and services assist IFP and the IAR in managing and administering the clients' accounts. These include investment research, access to client account data (such as duplicate trade confirmations and account statements), facilitation of trade execution, allocation of aggregated trade orders for multiple client accounts, pricing and other market data, facilitation of payment of our fees from clients' accounts, assistance with back-office functions, recordkeeping, and client reporting.

Some services help IFP manage and further develop its business operations. These services include publications, educational conferences and events, and consulting on technology, compliance, legal, and other business needs.

### **Selection of Brokers/ Dealers and/or Custodians**

The Custodians will hold your assets and buy and sell securities based on the investment discretion of the IAR or if the client does not authorize the IAR discretion, based on the instructions for each transaction by the client. Clients will enter into a separate account agreement directly with the Custodian. If the Client chooses to use a third-party money manager ("TPAM"), the TPAM may have arrangements with or only use certain custodians. The client agreement for the chosen TPAM will disclose its custodial arrangements.

Clients are free to select and implement investment recommendations with any broker-dealer and/or Custodian of their choice. When clients decide to implement the investment recommendations from their IAR, the client will be required to establish an investment advisory account through one of the Custodians approved by IFP. IFP allows its IARs to manage accounts through a number of different Custodians. Every Custodian approved by IFP has an affiliated broker/dealer that is registered with the SEC and is a member of FINRA and SIPC.

As previously stated, IFP IARs may also be RRs of LPL Financial. These dually registered IFP IARs are restricted from maintaining client accounts at or executing client transactions in their clients' accounts through any broker/dealer or custodian that is not approved by IFP. It should be noted that not all RIAs require their clients to use specific broker-dealers and/or other custodians required by the RIA. The fees charged by other broker-dealers may be higher or lower than those charged by the broker/dealers and/or custodians used by IFP.

Clients may pay a ticket charge for each transaction executed through LPL Financial or the Custodian. IFP may retain a portion of this ticket charge. This compensation received by IFP is not shared with the IAR providing investment advisory services to clients. The receipt of a portion of the ticket charge may represent a conflict of interest.

While LPL Financial does not participate in, or influence the formulation of, the investment advice IARs are restricted by certain FINRA rules and policies from maintaining client accounts at another custodian or executing client transactions in such client accounts through any broker-dealer or custodian that is not approved by LPL. As a result, the use of other trading platforms must be approved not only by IFP, but also by LPL. Clients should also be aware that for accounts where LPL Financial serves as the custodian, IAR is limited to offering services and investment options that are approved by LPL, and may be prohibited from offering services and investment options that may be available through other broker-dealers and custodians, some of which may be more suitable for a client's portfolio than the services and investment options offered through LPL.

Clients should understand that not all investment advisers require, request or recommend that clients custody their accounts and trade through specific broker-dealers.

Clients should also understand that LPL Financial is responsible under FINRA rules for supervising certain business activities of IAR that are conducted through broker-dealers and custodians other than LPL. LPL charges a fee for its oversight of activities conducted through these other broker-dealers and custodians. This arrangement presents a conflict of interest because IAR may have a financial incentive to recommend that you maintain your account with LPL rather than with another broker-dealer or custodian to avoid incurring the oversight fee.

### **Benefits Received by IFP Personnel**

LPL makes available to IAR various products and services designed to assist IFP in managing and administering client accounts. Many of these products and services may be used to service all or a substantial number of IFP's accounts, including accounts not held with LPL. These include software and other technology that provide access to client account data (such as trade confirmation and account statements); facilitate trade execution (and aggregation and allocation of trade orders for multiple client accounts); provide research, pricing information and other market data; facilitate payment of IFP's fees from its clients' accounts; and assist with back-office functions; recordkeeping and client reporting.

LPL also makes available to IFP other services intended to help IFP manage and further develop its business. Some of these services assist IFP to better monitor and service program accounts maintained at LPL, however, many of these services benefit only IFP, for example, services that assist IFP in growing its business. These support services and/or products may be provided without cost, at a discount, and/or at a negotiated rate, and include practice management-related publications; consulting services; attendance at conferences and seminars, meetings, and other educational and/or social events; marketing support; and other products and services used by IFP in the operation and development of its investment advisory business.

Where such services are provided by a third-party vendor, LPL will either make a payment to IFP to cover the cost of such services, reimburse IFP for the cost associated with the services, or pay the third-party vendor directly on behalf of IFP.

The products and services described above are provided to IFP as part of its overall relationship with LPL. While as a fiduciary IFP endeavors to act in its clients' best interests, the receipt of these benefits creates a conflict of interest because IFP's recommendation to Clients to custody their assets at LPL is based in part on the benefit to IFP of the availability of the foregoing products and services and not solely on the nature, cost or quality of custody or brokerage services provided by LPL. IFP's receipt of some of these benefits may be based on the amount of advisory assets on the LPL platform.

### **Transition Assistance Benefits**

LPL provides various benefits and payments to dually registered IARs that are new to the LPL platform to assist the IAR with the costs (including foregone revenues during account transition) associated with transitioning his or her business to the LPL platform. The proceeds of such Transition Assistance payments are intended to be used for a variety of purposes, including but not necessarily limited to, providing working capital to assist in funding the IAR's business, satisfying any outstanding debt owed to the IAR's prior firm, offsetting account transfer fees payable to LPL as a result of the IAR's clients transitioning to LPL's custodial platform, technology set-up fees, marketing and mailing costs, stationary and licensure transfer fees, moving expenses, office space expenses, staffing support and termination fees associated with moving accounts.

The amount of the Transition Assistance payments may be significant in relation to the overall revenue earned or compensation received by the IAR at his/her prior firm. Such payments are generally based on the size of the IAR's business established at his/her prior firm and/or assets under custody on the LPL. Please refer to the relevant Part 2B brochure supplement for more information about the specific Transition Payments the IAR receives.

### **Brokerage and Custody Costs**

The custodians generally do not have a separate charge for custodial services, but the custodians are compensated by charging you commissions or other fees on transactions executed in your account. These fees are in addition to the commissions or other compensation you may pay the executing broker/dealer.

IFP or its IAR do not have the discretion to determine the broker/dealer to be used or the commission rates charged by the custodians. However, IARs will recommend that the client use the brokerage services of LPL Financial or the custodians as noted previously.

IARs do not negotiate commission rates with LPL Financial or the custodians. Clients will pay the usual and customary brokerage commission rates charged by the affiliated broker/dealer executing the transactions. Insurance product transactions may be executed through insurance companies or insurance agencies that are not affiliated with IFP. The commission amount or percentages are set by the insurance companies or agencies and not by IFP.

IFP and the IAR do not represent that the commissions or other amounts charged by LPL Financial or any other custodian or any insurance company or agency are the same as or lower than commissions charged by other broker/dealers or insurance companies or agencies. The commissions or other amounts charged by the LPL Financial, the custodians, insurance companies or agencies may be higher than those available from other firms. The client may choose to implement securities or insurance product transactions through other firms, insurance companies or agents.

In addition to IFP's portfolio management and other services, the Schwab Institutional Intelligent Portfolios™ program includes the brokerage services of CS&Co, a broker-dealer registered with the Securities and Exchange Commission and a member of FINRA and SIPC. While clients are required to use CS&Co as custodian/broker to enroll in the Schwab Institutional Intelligent Portfolios™ program, the client decides whether to do so and opens its account with CS&Co by entering into an account agreement directly with CS&Co. IFP does not open the account for the client. If the client does not wish to place his or her assets with CS&Co, then IFP cannot manage the client's account through the Schwab Institutional Intelligent Portfolios™ program. As described in the Schwab Institutional Intelligent Portfolios™ program Disclosure Brochure, SWIA may aggregate purchase and sale orders for ETFs across accounts enrolled in the Schwab Institutional Intelligent Portfolios™ program, including both accounts for IFP's clients and accounts for clients of other independent investment advisory firms using the Schwab Institutional Intelligent Portfolios™ program.

Schwab Advisor Services (formerly called Schwab Institutional) is Schwab's business serving independent investment advisory firms like IFP. Through Schwab Advisor Services, CS&Co provides IFP and its clients, both those enrolled in the Schwab Institutional Intelligent Portfolios™ program and our clients not enrolled in the Schwab Institutional Intelligent Portfolios™ program with access to its institutional brokerage services – trading, custody, reporting and related services – many of which are not typically available to CS&Co retail customers. CS&Co also makes available various support services. Some of those services help IFP manage or administer our clients' accounts while others help us manage and grow our business. CS&Co's support services described below are generally available on an unsolicited basis (IFP doesn't have to request them) and at no charge to IFP. The availability to IFP of CS&Co's products and services is not based on IFP giving particular investment advice, such as buying particular securities for IFP's clients. Below is a more detailed description of CS&Co's support services:

CS&Co's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which IFP might not otherwise have access or that would require a significantly higher minimum initial investment by IFP's clients. CS&Co's services described in this paragraph generally benefit the Client and the Client's account.

CS&Co also makes available to IFP other products and services that benefit IFP, but may not directly benefit the Client or his/her account. These products and services assist us in managing and administering IFP's Clients' accounts. They include investment research, both Schwab's own and that of third parties. IFP may use this research to service all or some substantial number of our Clients' accounts, including accounts not maintained at CS&Co. In addition to investment research, CS&Co also makes available software and other technology that:

- provide access to client account data (such as duplicate trade confirmations and account statements);
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
- provide pricing and other market data;
- facilitate payment of our fees from IFP's clients' accounts; and
- assist with back-office functions, recordkeeping and client reporting.

CS&Co also offers other services intended to help IFP manage and further develop our business enterprise. These services include:

- educational conferences and events
- technology, compliance, legal, and business consulting;
- publications and conferences on practice management and business succession; and
- access to employee benefits providers, human capital consultants and insurance providers.

CS&Co may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to IFP. CS&Co may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. CS&Co may also provide IFP with other benefits such as occasional business entertainment of our personnel.

The availability of services from CS&Co benefits IFP, because we do not have to produce or purchase them. IFP doesn't have to pay for these services, and they are not contingent upon IFP committing any specific amount of business to CS&Co in trading commissions or assets in custody. With respect to the Schwab Institutional Intelligent Portfolios™ program, as described above under *Item 4 Advisory Business*, IFP does not pay SWIA fees for its services in connection with the Schwab Institutional Intelligent Portfolios™ program, so long as IFP maintains \$100 Million in client assets in accounts at CS&Co that are *not* enrolled in the Schwab Institutional Intelligent Portfolios™ program. In light of IFP's arrangements with Schwab, IFP may have an incentive to recommend or require that its clients maintain their accounts with CS&Co based on our interest in receiving Schwab's services that benefit IFP's business rather than based on the client's interest in receiving the best value in custody services and the most favorable execution of transactions. This may create a conflict of interest as it may provide IFP with an incentive to recommend or require that its clients with accounts not enrolled in the Schwab Institutional Intelligent Portfolios™ Program be maintained with CS&Co. IFP believes, however, that its selection of CS&Co as custodian and broker is in the best interests of our clients. It is primarily supported by the scope, quality and price of CS&Co's services and not Schwab's services that benefit only IFP. IFP reviews its use of Schwab's services periodically to ensure that Schwab's services continue to remain appropriate for each of our clients.

### **Trade Aggregation**

Transactions implemented for client accounts are generally executed separately, unless an IAR decides to purchase or sell the same securities for several clients at the same time. This process is referred to as aggregating orders, batch trading, or block trading. When aggregating client orders, the allocation of securities among client accounts will be done on a fair and equitable basis. Typically, the process of aggregating client orders is done to achieve better execution or to avoid differences in various transaction costs than might be obtained when orders are placed separately. Under this procedure, transactions will be averaged as to price and will be allocated among the IAR's clients in proportion to the purchase and sale orders placed for each client account on any given day.

IFP does not permit its IARs to receive any additional compensation or remuneration as a result of aggregation. See the Participation in Client Transactions section of Item 11 for a description of IFP's policies regarding trade aggregation with affiliated accounts.

### **Best Execution**

IFP owes a fiduciary duty to its clients to obtain best execution of their transactions. That duty states that an Investment Adviser generally must execute securities transactions in such a manner that the total cost or proceeds in each transaction is the most favorable under the circumstances. However, clients should understand that best execution does not necessarily mean receiving the lowest available price. Trades are periodically reviewed to evaluate the execution services provided by LPL Financial, other unaffiliated broker/dealers and custodians used by IFP. Clients should consider that based on LPL Financial and/or custodians approved that clients may pay higher commissions or trade execution charges through the them than through other broker/dealers and/or custodians.

When an account is being managed by a TPAM, IFP is not able to change the costs of execution charged by the custodian that holds the account or the quality of the execution services provided by the clearing firm

used by the TPAM. Clients must address concerns or questions regarding the costs or quality of execution services to the clearing firm which holds the account, or the TPAM who manages the account.

### **Trade Errors**

On occasion, an error may be made in a client's account. For example, a security may be erroneously purchased in a client's account instead of being sold. In these occasions, IFP generally seeks to correct the error by placing the client's account as it would have been had there been no error.

Depending on the circumstances, corrective steps may be taken, including but not limited to, cancelling the trade, adjusting an allocation, and/or crediting the client's account. In the event a trading error results in an erroneous profit, the erroneous profit is not allocated to the client, but retained by LPL Financial or the custodian.

### **Agency Cross & Principal Transactions**

An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the investment advisory customer and for another person on the other side of the transaction (SEC Rule 206(3)-2). Agency cross transactions typically may arise where an investment adviser is dually registered as a broker/dealer or has an affiliated broker/dealer. It is IFP's policy not to engage in agency cross transactions with investment advisory customers.

A principal transaction is defined as a transaction where an adviser, acting as principal for its own account or the account of an affiliated broker/dealer buys from or sells any security to any investment advisory customer. IFP is not a broker/dealer and therefore it does not execute riskless principal transactions with investment advisory customers.

IFP's policy prohibits any allocation of trades in a manner such that any particular customers or group of customers receive more favorable treatment than other customer accounts.

### **Unaffiliated Third Party Custodians**

IFP may recommend or require that clients establish investment advisory accounts with unaffiliated third party custodians and/or broker-dealers ("Custodians"), including but not limited to LPL Financial, Charles Schwab & Co., Inc., TD Ameritrade, and Fidelity Brokerage Services, LLC to maintain custody of clients' assets and to effect trades for their accounts. The final decision to custody assets with any Custodian is at the discretion of the client, including those accounts covered under ERISA or Internal Revenue Service ("IRS") rules governing Individual Retirement Accounts ("IRAs"). Custodians provide IFP with access to their institutional trading and custody services, which are typically not available to retail commission brokerage clients.

Custodians IFP has agreements with offer brokerage services, execution, custody, research, analyses and reports, and access to mutual funds and other investments that otherwise generally available would only be made available to institutional investors.

For IFP client accounts, the Custodians generally do not charge separately for their custody services, but they are compensated by account owners through commissions and/or other transaction-related or asset-based fees for securities trades that are executed through the Custodian.

Custodians may also make available to IFP other products and services that benefit IFP, but may not benefit the client. These benefits may include national, regional or IFP specific educational events organized and/or sponsored by the Custodians. Other potential benefits may include occasional business entertainment of

personnel of IFP by the Custodians, including meals, invitations to sporting events, and other forms of entertainment, some of which may accompany educational opportunities.

Additional products and services offered through Custodians assist IFP in managing and administering its clients' accounts. These include software and other technology (and related technological training) that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), provide research, pricing information and other market data, facilitate payment of IFP's fees from its clients' accounts, and assist with back-office training and support functions, recordkeeping and client reporting. Many of these services generally may be used to service all or some substantial number of IFP's accounts, including accounts not maintained at Custodians. Custodians also make available to IFP other services intended to help IFP manage and further develop its business. These services may include professional compliance, legal and business consulting, publications and conferences on practice management, information technology, business succession, insurance, and marketing. In addition, Custodians may make available, arrange and/or pay vendors for these types of services rendered to IFP by independent third parties.

Custodians may also discount or waive fees they 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 IFP. As a fiduciary, IFP endeavors to act in its clients' best interests. IFP's recommendation or requirement that clients maintain their assets in accounts at Custodians may be based in part on the benefit to IFP of the availability of some of the foregoing products and services and other arrangements and not solely on the nature, cost or quality of custody and brokerage services provided by the Custodians. Offering these additional services through Custodians may create a potential conflict of interest to IFP's clients.

Our firm participates in the Schwab Institutional ("SI") services program sponsored by Schwab, the Fidelity Institutional Wealth Services Program ("FIWS") sponsored by Fidelity, and TD Ameritrade Institutional Program sponsored by TD Ameritrade. Although each of these programs has its unique features, generally, as a result of participating in them, IFP receives benefits that are not available to retail investors. These benefits may include a trading platform, receipt of duplicate client confirmations and bundled duplicate statements, access to a dedicated trading desk serving program participants exclusively; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts, the ability to have investment advisory fees deducted directly from a client's account, receipt of research and compliance publications and access to certain mutual funds which generally require significantly higher minimum initial investments or are generally available only to institutional investors.

As described in Item 5 of this Brochure, IFP participates in LPL's "hybrid" program, which provides IFP with certain benefits and resources, including access to LPL's custodial and trading platforms, compliance assistance, training, administrative and back-office support, financial and other personal assistance measures to help with client transitioning, business development assistance, expense sharing discounts, as well as access to LPL investment programs and third-party managers.

Participation in the programs described above may give rise to a potential conflict of interest for IFP and its IARs, as the receipt of program benefits creates an incentive for IFP and its IARs to recommend program sponsors to clients for brokerage and/or custodial services.

## ITEM 13. REVIEW OF ACCOUNTS

Model portfolios created and used by IARs are reviewed and monitored by the IFP Investment Committee on an ongoing basis and rebalanced as needed. Model portfolios are reviewed in the context of the investment objectives, investment strategy and guidelines of each model.



The Investment Committee is currently comprised of the following individuals:

- William E. Hamm, Jr., Chief Executive Officer
- Aaron Gilman, Chief Investment Officer

IARs will provide ongoing investment advice and continuously monitor their clients' portfolios. IARs are required to have a contact meeting with the client no less than annually, which is generally conducted in person, but can be by conducted by telephone. At the annual client contact meeting, the IAR will review the performance of the client's accounts and verify that the client's portfolio is still consistent with the client's stated investment objectives, asset allocation, and risk tolerance.

Account statements are provided no less than quarterly by the client's selected custodian. Account statements show account positions, balances, and transaction details. At the client's request the IAR may also provide a periodic consolidated report of the client's portfolio and performance. The consolidated report is used to show the client's portfolio and performance as of a specific date. The consolidated report is not, and does not replace the client's account statements from the custodians. The client should always refer to his or her account statement from the custodian.

## **ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION**

### **Client Referrals**

IFP and its IARs may act as solicitors for various third-party investment advisers who compensate IFP and the IAR for soliciting a prospective client to the third-party investment adviser. Each solicitation arrangement is documented and a solicitor's disclosure statement is provided to the client. When acting as a solicitor, IFP will be paid a portion of the advisory fee the client pays to the unaffiliated registered investment adviser. The total investment advisory program fee the client pays to some program sponsor(s) may be higher. When acting as a solicitor, IFP only introduces the client to the registered investment adviser. The client is a client of the registered investment adviser only and not IFP. IFP has no ongoing fiduciary responsibility to the client.

IFP and its IARs may offer investment advisory services on the premises of unaffiliated financial institutions, such as banks or credit unions. IFP has entered into agreements with the financial institutions and IFP may share compensation, including a portion of the investment advisory fee, with the financial institution for the use of the financial institution's facilities and for client referrals.

### **Other Compensation**

IARs may solicit, offer and sell securities and/or insurance products to any client for commissions in their separate capacities as Registered Representatives of LPL Financial or acting as independent insurance agents. This could represent a potential conflict of interest since IFP and the IAR could receive fees and/or commissions if the client chooses to implement the recommendations of the IAR in his or her separate capacity as a Registered Representative of LPL Financial and/or as an independent insurance agent. Clients are under no obligation to implement any recommendation through IFP or the IAR and are free to choose any broker/dealer or insurance company they wish to implement the recommendations.

Certain third-party investment advisers, product sponsors or brokerage and/or Custodians may provide IFP or the IAR with economic benefits as a result of the client's purchase of investments or insurance products, including sponsorship of meetings, marketing support, an occasional dinner or ticket to a sporting event, incentive awards, and payment of travel expenses.

These arrangements may represent a conflict of interest since they may affect the independent judgment of IFP or the IAR in the recommendation of one third-party investment adviser, product sponsor or Custodian over another. However, IFP and the IAR are obligated to act in the best interest of the client when recommending any third-party investment adviser or service.

IFP addresses these conflicts of interest in the following ways:

1. IFP clearly discloses the existence of solicitation arrangements to existing and prospective clients in IFP's disclosure documents, so that the client can assess the potential conflicts of interest;
2. IFP provides written disclosures to prospective clients prior to the execution of an advisory agreement with the third-party manager, including:
  - a. The name of the third-party investment manager;
  - b. The nature of the relationship, including any affiliation, between IFP and the third-party manager;
  - c. A statement that IFP will be compensated for our solicitation services by the investment adviser; and
  - d. The terms of such compensation arrangement, including a description of the compensation paid or to be paid to IFP.

IFP periodically reviews and monitors the overall performance and reputation of third-party managers to ensure that continued recommendation of the third-party investment adviser remains in the best interest of IFP's clients. IFP may also pay referral fees to other firms and individuals that refer investment advisory clients to IFP. If a client is referred to IFP by a solicitor, IFP may pay that solicitor an initial and/or an ongoing solicitor's referral fee, which usually is based on a percentage of the referred client's assets under management by IFP.

Payment of fees for the referral of prospective clients may create a potential conflict of interest to the extent that such a referral benefits IFP and/or its IAR.

For situations that may present a conflict of interest, IFP has established the following restrictions to help address the conflicts and meet its fiduciary responsibilities:

1. All such referral fees are paid in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, and any corresponding state securities law requirements;
2. Any such referral fee will be paid solely from our investment management fee, and will not result in any additional charge to the client;
3. If the client is introduced to IFP by a solicitor, the solicitor, at the time of the solicitation, will disclose the nature of his/her/its solicitor relationship and provide each prospective client with a copy of IFP's Form ADV Part 2 Brochure with a copy of the written disclosure statement from the solicitor to the client disclosing the terms of the solicitation arrangement between IFP and the solicitor, including the compensation to be received by the solicitor from IFP; and
4. All referred clients will be reviewed to ensure that IFP's fees, services, and investment strategies are suitable to their specific investment objectives, needs and risk tolerance.

IFP receives an economic benefit from Schwab in the form of the support products and services it makes available to IFP. These products and services, how they benefit IFP, and the related conflicts of interest are described above under *Item 12 Brokerage Practices*. The availability to IFP of Schwab's products and services is not based on IFP giving particular investment advice, such as buying particular securities for our clients.

## ITEM 15. CUSTODY

Custody is broadly defined as any authority given by the client that permits IFP to deduct client funds or securities from clients' accounts. All client funds and securities are maintained at qualified Custodians and IFP never has actual custody of clients' assets. Under a no action release granted by the SEC under the Investment Advisers Act of 1940 rules, IFP is not deemed to have custody of a client's assets if the client authorizes IFP to instruct the Custodian to deduct IFP's advisory fees directly from the client's account and the Custodian maintains actual custody of the client's assets. Clients should carefully review their account statements from the Custodian for accuracy of the amount of IFP advisory fees being deducted from their accounts.

Under the Schwab Institutional Intelligent Portfolios™ program, the client authorizes IFP to instruct CS&Co to deduct IFP's advisory fees directly from the client's account. CS&Co maintains actual custody of clients' assets. Clients receive account statements directly from CS&Co at least quarterly. They will be sent to the email or postal mailing address the client provides to CS&Co. Clients should carefully review those statements promptly when received. IFP Clients should also compare CS&Co's account statements to the periodic portfolio reports that the Client receives from IFP.

## ITEM 16. INVESTMENT DISCRETION

IFP and its IARs may execute securities transactions on a discretionary basis. Prior to exercising and executing any discretionary authority or transactions, IFP and the IAR are required to receive written consent from the client to execute transactions on discretion. The Client agrees and authorizes discretion as part of the Investment Advisory Managed Account Agreement signed by the Client. If the Client does not authorize written discretionary authority, no transactions will be executed in a client's account without the Client's consent.

IFP may establish relationships with various third-party asset managers ("TPAMs"). As a part of the TPAMs' agreement, the TPAMs may require that they have investment discretion over the Client's account. The terms of the advisory relationship between the Client and the TPAM will be described in the TPAM's disclosure document and its separate investment advisory agreement signed by the Client. The TPAM will not have the authority to withdraw funds from the account except to deduct the agreed upon investment advisory fees for managing the Client's account.

## ITEM 17. VOTING CLIENT SECURITIES

IFP does not vote proxies on behalf of its clients. It is the responsibility of the client to vote all proxies for securities held in their investment advisory management account(s). Clients will receive their proxies directly from the custodians or transfer agents and clients retain sole responsibility and authority for voting. All proxy materials received by IFP on behalf of a client will be sent directly to the client or a representative that has been previously designated by the client to be responsible for voting proxies. Third-party investment advisers may have their own policies regarding proxy voting. Clients are advised to review the policies of their third-party adviser to determine their proxy voting policy.

With respect to, and as described in the Schwab Institutional Intelligent Portfolios™ program Disclosure Brochure, clients enrolled in the Schwab Institutional Intelligent Portfolios™ program designate SWIA to vote proxies for the ETFs held in their accounts. IFP has directed SWIA to process proxy votes and corporate actions through and in accordance with the policies and recommendations of a third-party proxy voting service provider retained by SWIA for this purpose. Additional information about this arrangement is available

in the Schwab Institutional Intelligent Portfolios™ program Disclosure Brochure. Clients who do not wish to designate SWIA to vote proxies may retain the ability to vote proxies themselves by signing a special CS&Co form available from IFP.

## **ITEM 18. FINANCIAL INFORMATION**

This item is not applicable to IFP's Disclosure Brochure. IFP does not require or solicit prepayment of more than \$1,200 in investment advisory fees per client, six months or more in advance. Therefore, IFP is not required to include a balance sheet for its most recent fiscal year. IFP is not subject to a financial condition that is reasonably likely to impair its ability to meet contractual commitments to our clients, nor has IFP been the subject of a bankruptcy petition at any time.