

## **Interactive Financial Advisors**

### **WRAP FEE PROGRAM BROCHURE**

#### **FORM ADV PART 2A APPENDIX 1**

#### **Invest With Trust Wrap Fee Program**

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**February 10, 2015**

This wrap fee program brochure provides information about the qualifications and business practices of Interactive Financial Advisors. If you have any questions about the contents of this brochure, please contact us at 630-472-1300. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Interactive Financial Advisors is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for Interactive Financial Advisors is 125117.

## **Material Changes - Item 2**

This item will discuss material changes that were made to the firm's ADV Part 2 Brochure since the firm's last annual update and provide clients with a summary of such changes.

On February 10, 2015, we submitted our annual updating amendment filing and amended our total assets under management to reflect \$191,705,772 as of December 31, 2014.

We amended our disclosures to Core strategies under Item 4 to include additional model portfolios. The additional models and their respective descriptions are as follows:

### **Momentum/Global Equities/All-Weather Strategies**

The Momentum strategy aims to benefit on the continuance of existing trends in the market. This strategy employs a model that continually allocates to a combination of cash and/or four major asset classes: Equities, Bonds, Real Estate and Flight-to-Safety assets. Flight-to-Safety assets may include inverse ETFs (a security that shorts specific asset classes, indices and/or the market).

The Global Equities strategy provides an all equity exposure that includes U.S., Foreign and Emerging Markets. The model chooses up to three ETFs each month using momentum theory.

The All-Weather strategy is a globally diversified model that evenly balances investment risk across multiple economic environments and asset classes. The strategy chooses asset classes from a broad pool of individual securities and rebalances monthly. The model applies momentum theory to exclude asset classes that exhibit persistent declines.

The Momentum and Global Equity strategies require a \$2,000 minimum; and the All-Weather strategy requires an account minimum of \$25,000. No one strategy can comprise more than 60% of a portfolio. However, a portfolio may contain a total of 100% of Core/Momentum/Global Equity/All-Weather strategies.

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## **Services, Fees and Compensation – Item 4**

Interactive Financial Advisors is an SEC-registered investment adviser based in Oakbrook, Illinois. Our firm is organized as a corporation under the laws of the State of Illinois, and was formed on February 20, 2003. We have been providing investment advisory services since 2003. Organizamerica and Richard L. Peterbok are our principal owners.

As used in this brochure, the words "we", "our" and "us" refer to Interactive Financial Advisors and the words "you", "your" and "client" refer to you as either a client or prospective client of our firm. Also, you may see the term Associated Person throughout this Brochure. As used in this Brochure, our Associated Persons are our firm's officers, employees, and all individuals providing investment advice on behalf of our firm.

We are the sponsor and portfolio manager for the *Invest With Trust* Wrap Fee Program (hereinafter "Program") described in this brochure. We manage your wrap fee account based on model portfolios constructed with a view to achieving certain objectives and risk profiles. We offer the Program for a single fee that includes portfolio management services, custodial and the transaction/commission costs. Under this Program, we offer discretionary investment advice designed to assist Clients, including individuals, trusts, estates, and charitable organizations, pension and profit sharing plans in obtaining professional asset management for a convenient single "wrap fee." The overall cost you will incur if you participate in our wrap fee program may be higher or lower than you might incur by separately purchasing the types of securities available in the program.

### **Invest With Trust Program**

The Interactive Financial Advisor (hereinafter "IFA") *Invest With Trust* Program is a strategy where we will manage your Account according to proprietary model portfolios of Exchange Traded Funds (ETFs). The Program is offered solely on a fully discretionary basis with regard to the allocation and investment management of client assets among various asset categories such as equity securities, fixed income securities and exchange traded funds.

The Program's asset allocation models range from conservative short term to aggressive long term, as well as various specific purpose models. They are developed and managed in accordance with research and analysis conducted by IFA. Once the client portfolio is constructed, IFA provides continuous supervision of the portfolio as changes in market conditions and client circumstances may require.

### **Core/Momentum/Global Equities/All-Weather Strategies**

As part of our *Invest With Trust* program, we may use a sub-adviser to manage a portion of your account on a discretionary basis. The sub-adviser will use one or more of their model portfolios under the Core/Momentum/Global Equities/All-Weather strategies to manage your account. We will regularly monitor the performance of your accounts managed by sub-adviser, and may hire and fire any sub-adviser without your prior approval. We will pay a portion of the advisory fee to the sub-adviser we use.

The Core strategy is an enhanced asset allocation model that diversifies across major asset classes including stocks, bonds, commodities, currency and real estate using exchange traded funds (ETF's). This strategy utilizes a proprietary kill-switch to exit the markets in periods of prolonged downturns, and to return to the markets when appropriate. The kill switch is based upon a set of rules developed and implemented by the sub-advisor and is subject to change.

The Momentum strategy aims to benefit on the continuance of existing trends in the market. This strategy employs a model that continually allocates to a combination of cash and/or four major asset classes: Equities, Bonds, Real Estate and Flight-to-Safety assets. Flight-to-Safety assets may include inverse ETFs (a security that shorts specific asset classes, indices and/or the market).

The Global Equities strategy provides an all equity exposure that includes U.S., Foreign and Emerging Markets. The model chooses up to three ETFs each month using momentum theory.

The All-Weather strategy is a globally diversified model that evenly balances investment risk across multiple economic environments and asset classes. The strategy chooses asset classes from a broad pool of individual securities and rebalances monthly. The model applies momentum theory to exclude asset classes that exhibit persistent declines.

The models are actively managed using proprietary reallocation and rebalancing technology. The Momentum, Global Equity and All-Weather strategies may utilize stop-loss orders on a monthly basis. Stop-loss orders may not necessarily limit losses, since they become market orders when triggered; as a result, a stop-loss order may not be executed at the stop-loss price.

Our system for investment-selection advice to clients is designed to inform and guide clients toward investment selections offering best result prospects for their future purchasing-power needs and goals. Our Program does not allow you the ability to provide restrictions for your account as to the type of securities or the individual securities to be purchased or sold.

#### **Selection of a Suitable Program and Portfolio**

During initial discussions with you, a Representative of IFA ("Representative") will assist you in understanding and completing an Account profile or questionnaire so that it accurately reflects your financial situation, investment objectives, tolerance for risk, and investment time horizon, among other considerations. The Representative will also answer questions about our firm and the Program. You will also sign an asset management agreement, which will identify the Portfolio.

In carrying out the services provided under the Program, we apply the following fundamental principles and guidelines:

**1. Seek best for client's future** -- Seek portfolios that offer best result probabilities for the client's particular projected lifetime needs and goals. For most individuals and families, the investment purpose should be and is lifetime needs-and-goals; and because the future is uncertain, investment prospects are most prudently assessed and compared in terms of probabilities.

**2. Use least-uncertain investments** -- Focus on managed models that, across the range from conservative to aggressive, offer best historical bases for estimating their future return-rate probabilities. For most investments, the bases for assessing future-performance probabilities are weak. At various points along the range from conservative to aggressive, it's essential to focus on the relatively few investments with best bases for future-performance assumptions.

**3. Inform the client** - Present these assessments and comparisons in measures for the results the client will need and can best understand -- net dollar purchasing power for their future needs and goals. This is essential to provide the client the best basis for informed selection of investments that best fit their goals and priorities,

and also to help clients build informed enduring commitments to prudent choices.

We then allocate and manage your assets among various asset classes. These classes may include Precious Metals, Energy, International Fixed Income, Far East, Health Care, Global Water, Municipal Securities, International Equities, Real Estate, Inflation Protected Treasuries, Dividend Securities and Inverse Securities.

Our service also includes assistance in the selection, retention, and disposition of investment positions. We offer a unique product line where asset allocation models, ranging from conservative short term to aggressive long term, are developed and managed based on our proprietary research and analysis. The *Invest With Trust* program also offers various specific purpose models; that may include, but are not limited to, Conservative Fixed, Global Fixed, and Real Estate. Once we construct an investment portfolio for you we monitor your portfolio's performance on an ongoing basis, and will rebalance the portfolio as required by changes in market conditions and your financial circumstances.

### **Changes in Circumstances**

We will make investment decisions for your portfolio according to your stated objectives, financial circumstances, and risk tolerance. In providing the contracted services, we are not required to verify any information we receive from you or from your other professionals (e.g. attorney, accountant, etc.) and we are expressly authorized to rely on the information you provide. You must promptly notify our firm of any change in your financial circumstances or investment objectives that might affect the manner in which your account(s) should be managed.

### **Account Investments**

Program Account assets will be invested in exchange-traded funds ("ETFs"), or money market instruments. Your Account(s) are invested to reflect the allocation and achieve the objectives of the Portfolio, which you have selected.

ETFs are securities that aim to achieve the same return as a particular market index. ETFs differ from mutual funds because shares issued by ETFs are bought and sold by investors through a secondary market. Unlike mutual funds, retail investors generally cannot tender their shares directly to the ETF for redemption because shares of ETFs are redeemable from the fund only in very large blocks (blocks of 50,000 shares, for example). Instead, ETF shares are bought and sold on an exchange during regular market hours.

ETFs offer the ease of stock trading. ETFs can be purchased on margin, sold short, or held for the long term. We may use ETFs to achieve market exposure consistent with the index on which the ETF is based, through one security. Investment returns and principal value will fluctuate so that an ETF's shares, when sold, may be worth more or less than the original cost .

### **Discretionary Management**

In the Investment Advisory Agreement, you grant us full authority and discretion to buy, sell, retain, and exchange investments, and to exercise such other powers as we deem appropriate to manage and execute transactions for your Account, so that the investments in your Account continue to reflect the Portfolio that you selected.

We will have full discretion to adjust or change the asset classes which comprise any Portfolio, the percentage which each asset class represents of each Portfolio and the ETFs or other securities that comprise each asset class. We will also have the discretion to invest the Account's assets in cash or cash equivalents.

### **The Custodian**

Upon entering into an Investment Advisory Agreement, you will open an account with an independent qualified custodian to hold the Account assets. We currently utilize Trust Company of America, member FDIC ("TCA"), an unaffiliated and independent qualified custodian and its clearing firm BNY ConvergeX Group for trade execution.

TCA and its clearing firm will provide you with services related to custody of securities, trade execution, and trade clearance and settlement. We will not have custody of client funds or securities, except to the limited extent of having TCA act as paying agent for our firm by automatically deducting Program Fees from your Account(s).

We also offer our *Invest with Trust* portfolio management program through the use of a fixed contingent annuity. This annuity provides assistance in providing protection from the potential of outliving your money. The fixed contingent annuity uses your eligible assets to provide a retirement-income stream for life. The assets within the annuity are then managed through our *Invest with Trust* portfolio management program.

### **The Program Fee**

On an annualized basis, our fee for the Invest With Trust Program is based on the following tiered fee schedule:

#### **Fee Schedule - Invest With Trust Program**

##### **Account Size \$0 - \$24,999\***

\$50.00 First Year Only Setup Fee

\$25.00 Annual Administration Fee

125BP - 265BP of Account Value

\* Account size may start at \$0 when systematic contributions are elected; otherwise account minimum is \$1,000.

##### **Account Size \$25,000 - \$49,999**

\$50.00 First Year Only Setup Fee

\$25.00 Annual Administration Fee

120BP - 270BP of Account Value

##### **Account Size \$50,000 - \$249,999**

\$50.00 First Year Only Setup Fee

110BP - 260BP of Account Value

##### **Account Size \$250,000 - \$499,999**

\$50.00 First Year Only Setup Fee

95BP - 245BP of Account Value

##### **Account Size \$500,000 - \$999,999**

\$50.00 First Year Only Setup Fee

80BP - 230BP of Account Value

**Account Size \$1,000,000 Plus**

\$50.00 First Year Only Setup Fee

60BP - 210BP of Account Value

**Core/Momentum/Global Equities/All-Weather Strategies**

Our portfolio management fee for the Core/Momentum/Global Equities/All-Weather strategies is based on a percentage of the assets we manage in the strategy and is separate from the *Invest With Trust* portfolio management fee schedule. The Core/Momentum/Global Equities/All-Weather Strategies fee pertains only to assets managed within these strategies and is set forth in the following fee schedule:

**Fee Schedule - Core/Momentum/Global Equities/All-Weather Strategies**

**Account Size \$10,000 - \$24,999\***

145BP - 265BP of Account Value

\* Account minimum is \$10,000.

**Account Size \$25,000 - \$49,999**

140BP - 260BP of Account Value

**Account Size \$50,000 - \$249,999**

130BP - 250BP of Account Value

**Account Size \$250,000 - \$499,999**

115BP - 235BP of Account Value

**Account Size \$500,000 - \$999,999**

100BP - 225BP of Account Value

**Account Size \$1,000,000 Plus**

80BP - 205BP of Account Value

\*The Core strategy has a minimum account size requirement of \$10,000. The Momentum and Global Equity strategies require a \$2,000 minimum; and the All-Weather strategy requires an account minimum of \$25,000. No one strategy can comprise more than 60% of a portfolio. However, a portfolio may contain a total of 100% of Core/Momentum/Global Equity/All-Weather strategies.

To participate in the IFA *Invest With Trust* wrap fee program, you will pay a single "Program Fee" that includes the fee for our investment management services and the expenses related to custody of securities, brokerage and trade execution, trade clearance and settlement. Our investment advisory fee is billed and payable monthly in advance based on the average daily value of your account during the previous month.

If the investment advisory agreement (Agreement) is executed at any time other than the first day of a calendar month, our fees will apply on a pro rata basis, which means that the advisory fee is payable in proportion to the number of days in the quarter for which you are a client. Our advisory fee is negotiable, depending on individual client circumstances.

During the first year, we will allocate \$50.00 of the prepaid fee as a 'set-up' fee related to establishing a new



account(s); this portion of the fee is non-refundable. Further, if the Account balances fall below \$50,000 you will be assessed a \$25.00 non-refundable annual administrative fee.

At our discretion, we may combine the account values of family members living in the same household to determine the applicable advisory fee. For example, we may combine account values for you and your minor children, joint accounts with your spouse, and other types of related accounts. Combining account values may increase the asset total, which may result in your paying a reduced advisory fee based on the available breakpoints in our fee schedule stated above.

As paying agent for our firm, TCA will deduct the Program fee directly from your Account. The advisory fee is deducted only when you have given us written authorization permitting the fees to be paid directly from your account. If insufficient cash is available to pay such fees, securities in an amount equal to the balance of unpaid fees will be liquidated to pay for the unpaid balance. IFA and TCA share in the Program fee received from clients.

TCA will deliver an account statement to you at least quarterly. These account statements will show all disbursements from your account. You should review all statements for accuracy. Additionally, you are provided with a log on and a password to your account. The log on ability allows you to view your account and account statements online at any time.

In determining whether to establish an Invest With Trust Program (hereinafter "Program") account, a client should be aware that the overall cost to the client of the Program may be higher or lower than the client might incur by purchasing separately the types of securities available in the Program. In order to compare the cost of the Program with unbundled services, the client should consider the turnover rate in IFA's investment strategies, trading activity in the account and standard advisory fees and brokerage commissions that would be charged at Trust Company of America, or at other broker-dealers and investment advisers.

Depending upon the percentage wrap-fee charged by our firm (as described more fully above), the amount of portfolio activity in your account, and the value of custodial and other services provided, the wrap-fee may or may not exceed the aggregate cost of such services if they were to be provided separately and/or if we were to negotiate transaction fees and seek best price and execution of transactions for your individual account. Inasmuch as the execution costs for transactions effected in your account will be paid by our firm, a conflict of interest arises in that we may have a disincentive to trade securities in your account.

#### **Advisory Services to Retirement Plans**

We offer advisory services to employee benefit plans ("Plan") and to the participants of such plans ("Participants"). The services are designed to assist plan sponsors in meeting their management and fiduciary obligations to Participants under the Employee Retirement Income Securities Act ("ERISA"). Pursuant to adopted regulations of the U.S. Department of Labor under ERISA Section 408(b)(2), we are required to provide the Plan's responsible plan fiduciary (the person who has the authority to engage us as an investment adviser to the Plan) with a written statement of the services we provide to the Plan, the compensation we receive for providing those services, and our status (which is described below).

The services we provide to your Plan, and the corresponding compensation are described above, and in the service agreement that you have previously signed with our firm. We may, with consent of the Plan, and in accordance with Plan documents, bill out-of pocket expenses (such as overnight mailings, messenger, translation fees, etc.) at cost. We do not reasonably expect to receive any other compensation, direct or

indirect, for the services we provide to the Plan or Participants. Nonetheless, since Associated Persons of our firm are registered representative and/or licensed insurance agents, these individuals may receive 12b-1 fees, revenue sharing or other forms of indirect compensation in connection with mutual fund investments allowable under applicable authority through Fortune Financial Services, Inc., Crown Capital Securities, L.P., Brooklight Place Securities, Inc., GWN Securities, Inc. and Foresters Equity Services Inc. (refer to *Additional Items* at the end of this document for additional disclosures). If we receive any other compensation for such services, we will (i) offset the compensation against our stated fees, and (ii) we will promptly disclose the amount of such compensation, the services rendered for such compensation and the payer of such compensation to you.

In providing services to the Plan and Participants, our status is that of an investment adviser registered under the Investment Advisers Act of 1940, and we are not subject to any disqualifications under Section 411 of ERISA. In performing fiduciary services, we are acting either as a non-discretionary fiduciary of the Plan as defined in Section 3(21) under ERISA, or as a discretionary fiduciary of the plan as defined in Section 3(38) under ERISA.

### **Additional Fees and Expenses**

The Program Fee includes the costs of brokerage commissions for transactions executed through the Qualified Custodian (or a broker-dealer designated by the Qualified Custodian), and charges relating to the settlement, clearance, or custody of securities in the Account. The Program Fee does not include mark-ups and mark-downs, dealer spreads or other costs associated with the purchase or sale of securities, interest, taxes, or other costs, such as national securities exchange fees, charges for transactions not executed through the Qualified Custodian, costs associated with exchanging currencies, wire transfer fees, or other fees required by law or imposed by third parties. The Account will be responsible for these additional fees and expenses.

You may purchase ETF's outside of the Account, without the services of our firm or the Representative, and without paying the Program Fee, but in that event, you would not receive the benefit of our services.

The fees that you pay to our firm for investment advisory services are separate and distinct from the fees and expenses charged by exchange traded funds (described in each fund's prospectus) to their shareholders. These fees will generally include a management fee and other fund expenses.

To fully understand the total cost you will incur, you should review all the fees charged by exchange traded funds, our firm, and others. For information on our brokerage practices, please refer to the "Brokerage Practices" section of this Brochure.

You will work with a Representative, who will be an investment adviser representative of our firm or an investment adviser representative of an unaffiliated third-party investment adviser, to identify your financial situation, investment objectives, tolerance for risk, and investment time horizon for each Account you establish in the Program. Based on information you provide, the Representative will assist you in identifying a Portfolio whose objectives and risk profile are suitable for you.

### **Termination**

The investment advisory agreement (Agreement) may be canceled at any time. Either party may terminate the Agreement by providing 30 day's written notice to the other party. Refunds are generally not applicable as IFA is compensated monthly in advance and one month's written notice is required to terminate the Agreement. However, in the event there are any prepaid unearned fees, IFA will return a pro rata share to the client. As stated above, during the first year, \$50.00 of the prepaid fee will be allocated to start-up cost and will not be

considered in the event that IFA is required to return any prepaid fee to the client.

Upon termination of accounts held at Trust Company of America, Trust Company of America delivers securities and funds held in the account as instructed by client, unless client requests that the account be liquidated. After the Agreement has been terminated, transactions are processed at the prevailing brokerage rates. You are then responsible for monitoring your own assets and IFA has no further obligation to act or provide advice with respect to those assets.

### **Wrap Fee Program Disclosures**

- Wrap fee programs may not be suitable for all investment needs, and any decision to participate in a wrap fee program should be based on your financial situation, investment objectives, tolerance for risk, and investment time horizon, among other considerations.
- The benefits under a wrap fee program depend, in part, upon the size of the Account and the number of transactions likely to be generated in the Account. For example, a wrap fee program may not be suitable for Accounts with little trading activity. In order to evaluate whether a wrap fee program is suitable for you, you should compare the Program Fee and any other costs of the Programs with the amounts that would be charged by other advisers, broker-dealers, and custodians, for advisory fees, brokerage and other execution costs, and custodial services comparable to those provided under the Programs.
- Participating in a wrap fee program may cost more or less than the cost of purchasing advisory, brokerage, and custodial services separately from third parties.
- IFA and its Representatives receive compensation as a result of your participation in the Programs. This compensation may be more than the amount our firm or the Representative would receive if you paid separately for investment advice, brokerage, and other services. Accordingly, a conflict of interest exists because our firm and the Representatives have a financial incentive to recommend the Programs, and may recommend the Programs over other programs or services for which the compensation arrangements are not as beneficial.

Due to the single fee charged to a Program account, we may be regarded as having a conflict of interest in that we may realize a greater profit on a Program account with a relatively low rate of portfolio turnover compared to other types of accounts, assuming the same level of fees.

### **Account Requirements and Types of Clients – Item 5**

We require a minimum Account size of \$1,000 for the *Invest With Trust* Program. Additionally, we charge a minimum annual administration fee of \$25.00 per client account. At our discretion, we may waive this minimum account size.

For the Core/Momentum/Global Equities/All-Weather strategies we require various account minimums to open and maintain an advisory account. The Core strategy has a minimum account size requirement of \$10,000. The Momentum and Global Equity strategies require a \$2,000 account minimum; and the All-Weather strategy requires an account minimum of \$25,000. No one strategy can comprise more than 60% of a portfolio. However, a portfolio may contain a total of 100% of Core/Momentum/Global Equity/All-Weather strategies.

Participation in the Program is available to: individuals, trusts, estates, and charitable organizations, pension and profit sharing plans.

### **Portfolio Manager Selection and Evaluation – Item 6**

We are both the sponsor and portfolio manager of the *Invest With Trust* wrap fee program. *Invest With Trust* portfolio models are managed in accordance with recommendations from the IFA Investment Committee. The Investment Committee is an internal group made up of IFA's executive officers and portfolio management team. The Investment Committee meets once a quarter to review and recommend portfolio model changes.

As part of our investment process, the Investment Committee makes forecasts of the long term returns of a range of asset classes. These forecast returns are based on our views over an investment cycle and our analysis of the economic and market environment. Additionally, the Investment committee will evaluate new opportunities that become available.

Based on the research available, the Investment Committee will recommend existing portfolio model investments be retained or replaced (for example due to management changes or consistent under-performance). On other occasions, the Investment Committee may introduce an additional investment to one or more of the model portfolio(s).

The Core/Momentum/Global Equities/All-Weather strategies are managed by a sub-advisor. The sub-adviser will use one or more of their model portfolios to manage assets in the Core/Momentum/Global Equities/All-Weather strategies. The Investment Committee will regularly monitor the performance of accounts managed by sub-adviser, and may hire and fire any sub-adviser without your prior approval.

#### **Advisory Business**

Please see the disclosures above regarding Services, Fees and Compensation, including the Wrap Fee disclosures.

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

We do not accept performance-based fees or participate in side-by-side management. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees. Performance-based fees are fees that are based on a share of capital gains or capital appreciation of a client's account. Our fees are calculated as described in the *Services, Fees and Compensation* section above, and are not charged on the basis of a share of capital gains upon, or capital appreciation of, the funds in your advisory account.

#### **Methods of Analysis and Investment Strategies**

We use a fundamental method of analysis, Modern Portfolio Theory, and Monte Carlo Simulation as our core investment strategies.

Modern Portfolio Theory is a sophisticated investment decision approach that theoretically permits an investor to classify, estimate, and control both the kind and the amount of expected risk and return.

Monte Carlo Simulation is a computerized mathematical technique that accounts for risk in quantitative analysis and decision making. Monte Carlo simulation provides us with a range of possible outcomes and the

probabilities that may occur for any choice of action. It shows the extreme possibilities—the outcomes of choosing aggressively and conservatively—along with all possible consequences for middle-of-the-road decisions.

Our investment strategies and advice may vary depending upon each client's specific financial situation. As such, we determine investments and allocations based upon your predefined objectives, risk tolerance, time horizon, financial horizon, financial information, liquidity needs, and other various suitability factors. Your restrictions and guidelines may affect the composition of your portfolio.

We may use short-term trading (in general, selling securities within 30 days of purchasing the same securities) as an investment strategy when managing your account(s). Short-term trading is not a fundamental part of our overall investment strategy, but we may use this strategy occasionally when we determine that it is suitable given your stated investment objectives and tolerance for risk.

Our strategies and investments may have unique and significant tax implications. However, unless we specifically agree otherwise, and in writing, tax efficiency is not our primary consideration in the management of your assets. Regardless of your account size or any other factors, we strongly recommend that you continuously consult with a tax professional prior to and throughout the investing of your assets.

Moreover, as a result of revised IRS regulations, custodians and broker-dealers will begin reporting the cost basis of equities acquired in client accounts on or after January 1, 2011. Our firm uses the FIFO accounting method for calculating the cost basis of your investments. You are responsible for contacting your tax advisor to determine if this accounting method is the right choice for you. If your tax advisor believes another accounting method is more advantageous, please provide written notice to our firm immediately and we will alert your account custodian of your individually selected accounting method. Please note that decisions about cost basis accounting methods will need to be made before trades settle, as the cost basis method cannot be changed after settlement.

#### **Block Trades**

We combine multiple orders for shares of the same securities purchased or sold for the *Invest With Trust* advisory accounts we manage. This practice is commonly referred to as "block trading". We will then distribute the shares to participating accounts in a fair and equitable manner. The distribution of the shares purchased is typically proportionate to the size of the account, but it is not based on account performance or the amount or structure of management fees. Subject to our discretion regarding factual and market conditions, when we combine orders, each participating account pays an average price per share for all transactions and pays a proportionate share of all transaction costs. Accounts owned by our firm or persons associated with our firm may participate in block trading with your accounts; however, they will not be given preferential treatment.

#### **Risk of Loss**

Investing in securities involves risk of loss that you should be prepared to bear. We do not represent or guarantee that our services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. We cannot offer any guarantees or promises that your financial goals and objectives will be met. Past performance is in no way an indication of future performance.

#### **Recommendation of Particular Types of Securities**

In our *Invest with Trust* Program we primarily recommend exchange traded funds ("ETFs"). You should be

advised of the following risks when investing in these types of securities:

**Characterization Risk**

ETFs and mutual funds don't always hold the types of stocks or bonds you may expect. For instance, some sector funds may identify the entire sector yet only represent a portion of the sector. At the same time, similar sector funds may have very different percentages of components. These characterization risks can impact overall performance.

**Tracking Error Risk**

ETFs and mutual funds, do not always track the index they are designed to mimic. Often two funds tracking the same index may take two different approaches to tracking the same index. One fund may use full replication, meaning the fund buys every stock in the index in exactly the right weights. Another fund may use optimization, whereby computer algorithms select a subset of the broader index to track the index as a whole. In general, funds that optimize have a greater risk of tracking error than funds that fully replicate their index.

**Liquidity Risk**

ETFs and mutual funds are not always easily bought and sold. Liquidity risk is the risk stemming from the lack of marketability of an investment that cannot be bought or sold quickly enough to prevent or minimize a loss.

**Spreads Risk**

ETFs are purchased and sold like stocks and, therefore, have bid and ask spreads. The average bid/ask spreads on every ETF is directly correlated to the fund's size, trading liquidity and average spread. Most ETFs have spreads of less than 10 basis points, however, thinly traded ETFs may have spreads greater than 50 basis points. The spreads risk of a thinly traded ETF and/or a volatile market may result in increased transaction costs.

**Inverse ETFs Risk**

Inverse ETFs are designed to replicate the opposite direction of market indices, often at a multiple which may include the use of leverage. These ETFs often use a combination of futures, swaps, short sales, and other derivatives to achieve these objectives. Most inverse ETFs are designed to achieve these results on a daily basis only. This means that over periods longer than a trading day, the value of these ETFs can and usually do deviate from the performance of the index they are designed to track. Over longer periods of time or in situations of high volatility, these deviations can be substantial.

**Manager Risk**

The risk of the chance that poor security selection or focus on securities in a particular asset class, sector, category, or group of companies will cause a client's portfolio to underperform relevant benchmarks.

**Proxy Voting**

Without exception, we will not vote proxies on behalf of your advisory accounts. However, we may, at your request, answer questions you may have regarding the nature of a proxy and voting procedures.

**Class Action Lawsuits**

We do not determine if securities held by you are the subject of a class action lawsuit or whether you are eligible to participate in class action settlements or litigation nor do we initiate or participate in litigation to recover damages on your behalf for injuries as a result of actions, misconduct, or negligence by issuers of securities held by you.

### **Client Information Provided to Portfolio Managers – Item 7**

IFA's Invest With Trust Wrap Fee Program is managed through the use of model portfolios and the recommendations of IFA's Investment Committee (See "Portfolio Manager Selection and Evaluation" above). Therefore, client information is not communicated directly to portfolio managers but is considered within the context of the Investment Committee quarterly meetings.

### **Client Contact with Portfolio Managers – Item 8**

Clients typically do not have contact with Portfolio Managers. You should contact our firm directly or your IFA Representative with any questions regarding your account.

### **Additional Information – Item 9**

#### **Disciplinary Information**

Neither our firm nor our principal owners have any legal or disciplinary events which are required to be disclosed in this Brochure Appendix.

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

Persons providing investment advice on behalf of our firm may be registered representatives with Fortune Financial Services, Inc. ("Fortune"), Crown Capital Securities, L.P. ("Crown"), Brooklight Place Securities, Inc. ("Brooklight"), GWN Securities, Inc. ("GWN") a securities broker-dealer or Foresters Equity Services Inc. ("FESCO"), a securities broker/dealer. FESCO is also a registered investment adviser with its principal place of business in the State of California. Brooklight is also a registered investment adviser with its principal place of business in the State of Illinois.

For accounts established outside of the Program, such registered representatives will receive normal and customary compensation resulting from effecting securities transactions. Fortune, Crown, Brooklight, GWN, FESCO and Interactive Financial Advisors are independent companies that do not share common ownership.

#### **Description of Our Code of Ethics**

We strive to comply with applicable laws and regulations governing our practices. Therefore, our Code of Ethics includes guidelines for professional standards of conduct for our Associated Persons. Our goal is to protect your interests at all times and to demonstrate our commitment to our fiduciary duties of honesty, good faith, and fair dealing with you. All of our Associated Persons are expected to adhere strictly to these guidelines. Our Code of Ethics also requires that certain persons associated with our firm submit reports of their personal account holdings and transactions to a qualified representative of our firm who will review these reports on a periodic basis. Persons associated with our firm are also required to report any violations of our Code of Ethics. Additionally, we maintain and enforce written policies reasonably designed to prevent the misuse or dissemination of material, non-public information about you or your account holdings by persons associated with our firm.

Our Code of Ethics is available to you upon request. You may obtain a copy of our Code of Ethics by contacting Joanne Woiteshek, Chief Compliance Officer, at (630) 472-1300 or [joanne@swcares.com](mailto:joanne@swcares.com).

### **Personal Trading Practices**

Our firm or persons associated with our firm may buy or sell securities for you at the same time that we or persons associated with our firm buy or sell such securities for our own accounts. We may also combine our orders to purchase securities with your orders to purchase securities ("block trading"). Please refer to the "Brokerage Practices" section in this Brochure for information on our block trading practices.

A conflict of interest exists in such cases because we have the ability to trade ahead of you and potentially receive more favorable prices than you will receive. To mitigate this conflict of interest, it is our policy that we shall not have priority over your account in the purchase or sale of securities.

### **Review of Accounts**

All Program Portfolio Models and Program Accounts are continuously monitored by our firm's investment committee who will also conduct an internal review on a quarterly basis. Accounts are reviewed regularly to ensure that they are correctly allocated according to your selected Portfolio. At least quarterly, we will notify you in writing to contact us or the Representative if there have been changes in your financial situation or investment objectives, or if you wish to impose or modify any reasonable Account restrictions for a Program Account. At least annually, you will also be contacted to discuss these issues. Richard L. Peterbok, President, and Joanne M. Woiteshek, Secretary/Treasurer of Interactive Financial Advisors, will be responsible for overseeing all reviews.

### **Reports**

The Qualified Custodian will provide you with statements, at least quarterly, reflecting the transactions, Program Fees, expenses, holdings, and balances in the Accounts.

### **Client Referrals and Other Compensation**

Associated Persons providing investment advice on behalf of our firm may be registered representatives with Fortune Financial Services, Inc. ("Fortune"), Crown Capital Securities, L.P. ("Crown"), Brooklight Place Securities Inc. ("Brooklight"), GWN Securities, Inc. ("GWN") or Foresters Equity Services Inc. ("FESCO"), securities broker/dealers and members of the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation. FESCO is also a registered investment adviser with its principal place of business in the State of California. Brooklight is also a registered investment adviser with its principal place of business in the State of Illinois. However, not all of our Associated Persons are also registered representatives and/or insurance agents.

In their capacity as registered representatives, the Associated Persons who are registered representatives will receive commission-based compensation in connection with the purchase and sale of securities, including 12b-1 fees for the sale of investment company products. Compensation earned by these Associated Persons in their capacity as a registered representative is separate and in addition to our advisory fees. This practice presents a conflict of interest because Associated Persons providing investment advice on behalf of our firm who are registered representatives have an incentive to effect securities transactions for the purpose of generating commissions rather than solely based on your needs. However, you are under no obligation, contractually or otherwise, to purchase securities products through any Associated Person affiliated with our firm.

Associated Persons providing investment advice on behalf of our firm may be licensed as independent insurance agents. These Associated Persons will earn commission-based compensation for selling insurance products, including insurance products they sell to you. Insurance commissions earned by these Associated Persons are separate and in addition to our advisory fees. This practice presents a conflict of interest because



persons providing investment advice on behalf of our firm who are insurance agents have an incentive to recommend insurance products to you for the purpose of generating commissions rather than solely based on your needs. However, you are under no obligation, contractually or otherwise, to purchase insurance products through any Associated Person affiliated with our firm.

Any material conflicts of interest between you and our firm, or our Associated Persons are disclosed in this Disclosure Brochure. If at any time, additional material conflicts of interest develop, we will provide you with written notification of the material conflicts of interest or an updated Disclosure Brochure.

### **FESCO Program**

We may receive client referrals through our Agreement with Foresters Equity Services Inc ("FESCO"), a registered investment adviser and broker dealer. We will pay duly registered Investment Adviser Representatives of our firm and FESCO, who are also registered representatives of FESCO, compensation ranging from 0.05% to 0.10% of client assets (Solicitation Fee). We may also pay FESCO the Solicitation Fee on any advisory fees received by our firm from any of your family members, including a spouse, child, or any other family member who resides with you and who has hired our firm on your recommendation. If you are referred to our firm through a referral program, we will not charge you any additional fees or costs in excess of our standard fee schedule. We will not pass Solicitation Fees paid to FESCO representatives on to you.

FESCO Representatives who refer clients to our firm must comply with the requirements of the jurisdictions where they operate. FESCO Representatives have a financial incentive to recommend our firm to you for advisory services. This creates a conflict of interest; however, you are not obligated to retain our firm for advisory services. Comparable services and/or lower fees may be available through other firms.

### **Other Compensation**

Services provided by Trust Company of America to our firm include brokerage, custody, and access to other investments that are available only to institutional investors or would require a significantly higher minimum initial investment. In addition, Trust Company of America, makes available software and other technologies that provide access to your account data (such as trade confirmations and account statements), facilitate trade execution, provide research, pricing information, quotation services, and other market data, assist with contact management, facilitate payment of fees to our firm from your account(s), assist with performance reporting, facilitate trade allocation, and assist with back-office support, record-keeping, and account reporting.

From time to time, we may receive expense reimbursement for travel and/or marketing expenses from distributors of investment and/or insurance products. Travel expense reimbursements are typically a result of attendance at due diligence and/or investment training events hosted by product sponsors. Marketing expense reimbursements are typically the result of informal expense sharing arrangements in which product sponsors may underwrite costs incurred for marketing such as advertising, publishing, and seminar expenses. Although receipt of these travel and marketing expense reimbursements are not dependent upon specific sales quotas, the product sponsor reimbursements are typically made by those sponsors for whom sales have been made or it is anticipated sales will be made.

### **Financial Information**

We are not required to provide financial information to our clients, because we do not require the prepayment of fees in excess of \$1,200 for more than six months in advance; we do not take custody of client funds or securities; and, we do not have a financial condition that is reasonably likely to impair our ability to meet our commitments to you.