

SSN Advisory, Inc. |

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# **Form ADV Part 2A – Appendix 1**

## ***SRMPlus Wrap Fee Program Brochure***

### **Item 1 – Cover Page**

This wrap fee program brochure provides information about the qualifications and business practices of SSN Advisory, Inc (SSNAI). If you have any questions about the contents of this brochure, please contact us at 800/264-5499. 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. Registration does not imply a certain level of skill or training.

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

## **Item 2 - Material Changes**

On July 28, 2010, the United State Securities and Exchange Commission published "Amendments to Form ADV" which amends the disclosure document that we provide to clients as required by SEC Rules. The SRMPlus Wrap Fee Program is a new service provided by SSNAI, as such this Brochure dated December 1, 2011 is a new document prepared according to the SEC's new requirements and rules.

In the future, this Item will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes.

## **Item 3 - Table of Contents**

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

SSNAI is an investment advisor registered with the Securities and Exchange Commission (SEC) since April 2003. SSNAI is owned by a FINRA member introducing broker-dealer firm, Securities Service Network, Inc. (SSN). SSN is a fully disclosed introducing broker-dealer. More information on SSN is available in the Item 9, Additional Information on page 6. SSNAI offers financial planning and consulting services, asset management services, referrals to third party investment advisors and a wrap fee program. This brochure describes the SRMPlus Wrap Fee Program (SRMPlus), which is sponsored by SSNAI. For information and descriptions of SSNAI's other advisory services, please refer to the SSNAI Form ADV Part 2A which you may obtain from your Investment Advisor Representative or from [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

SRMPlus is a discretionary asset management program, offered through Investment Advisor Representatives of SSNAI and by other registered investment advisers (collectively referred to as Solicitor or Solicitors). For SRMPlus, SSNAI uses the asset allocation, manager selection, and portfolio construction services of a Non-discretionary Sub-advisor (Sub-advisor). Currently, the only Sub-advisor utilized is Ibbotson Associates, Inc. (Ibbotson), a registered investment advisor and wholly owned subsidiary of Morningstar, Inc. Ibbotson will provide five risk-based model portfolios (Portfolio(s)) with underlying holdings consisting of open-end mutual funds and exchange-traded funds. Ibbotson is responsible for the construction of the Portfolios, selection of funds for the Portfolios based on an investment universe defined by SSNAI, on-going monitoring of the Portfolios on a quarterly basis, and communication of Portfolio changes to SSNAI. SSNAI, in its sole discretion, will implement any changes in Portfolio allocations and fund selections in Client accounts. Asset allocations and/or securities in the Portfolios may be adjusted or replaced at any time. Reallocation of assets may trigger short-term redemption fees and will trigger taxable events except where Individual Retirement Accounts or other qualified retirement plans or accounts are involved.

Based on investment objectives, financial and tax status, risk tolerance and time horizon information you provide to your Solicitor, your Solicitor will assist you in choosing an appropriate Portfolio. Portfolios are not structured to meet the needs or objectives of specific clients; rather, clients are matched with the Portfolio that is most in line with the client's stated goals and objectives. Thereafter, SSNAI will direct the investments in your Portfolio based on allocation recommendations provided to SSNAI by Ibbotson. There is no guarantee that the Portfolio will achieve your investment objectives.

The total annual fee (Fee) for SRMPlus is a flat percentage of all account assets under management (AUM) and is negotiable between you and your Solicitor. The maximum Fee is 2.50%. Fees are calculated quarterly in arrears based on the prior period's average daily account balance and are debited from your account. The Fee includes a platform fee and a solicitor's fee payable to your Solicitor. The platform fee includes custody, trading, and performance reporting costs. The platform fee will be the greater of \$87.50 per quarter (\$350 annually) or 0.35% of AUM. The portion of the Fee in excess of the platform fee will be paid by SSNAI to your Solicitor as a solicitor's fee. SRMPlus may cost you more or less than purchasing similar services separately. Factors to consider include the type and size of the account, the securities to be bought or sold and the your historical and/or expected size or number of trades. Your Fee may be more or less than the Fee of other SRMPlus clients. SSNAI does not charge performance-based fees (fees based on a share of capital gains on or capital appreciation of your assets).

SSNAI will deduct the Fee directly from clients' accounts but does not otherwise have custody of clients' funds or securities. Deduction of the Fee will be made by the qualified custodian holding your funds and securities. Further, the qualified custodian agrees to deliver a monthly or quarterly account statement directly to you, and never through SSNAI, showing all disbursements from the account. You are encouraged to review all account statements for accuracy. SSNAI will receive a duplicate copy of the statement that was delivered to you in order to form a reasonable belief that such statements are delivered to you. You may terminate authorization for automatic deduction of the Fee by notifying your IAR in writing. In turn, your IAR will notify the SSNAI home office promptly.

Some Solicitors may generate account statements or performance reports for clients. You are urged to compare the account statements from the custodian with those from your Solicitor.

If assets are transferred in-kind into your account, such assets may be liquidated at the discretion of SSNAI. In this situation, you will be responsible for any and all transaction charges (including ticket charges, confirmation fees, deferred sales charges and short term redemption fees) related to such liquidations. You will be responsible for any and all transaction charges related to any transaction placed at your direction. This includes liquidations for account transfers and money movement requests (checks, wire transfers, electronic fund transfers, ACAT, etc.). Additionally, the custodian of your account may impose additional fees for checks, wire transfers, electronic fund transfers, etc. You may pay other fees as required by law. You may pay short term redemption fees on certain mutual fund transactions. You will pay separately for IRA custodial services. All fees paid to SSNAI for investment advisor services are separate from fees and expenses charged to owners of mutual fund shares and ETF shares by the investment companies. As a result, you may pay two management fees. SSN may, from time-to-time, receive 12b-1 fees or trail commissions from investment companies in connection with the placement of funds into investment companies. The default fund for your cash balances is a money market mutual fund that pays a 12b-1 fee to SSN; this may result in a lower return on your cash investments than if your cash were invested in a money market mutual fund that did not pay a 12b-1 fee. A

complete explanation of the product-related fees and expenses is contained in the prospectus for each particular investment product.

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

The minimum account size for SRMPlus is \$50,000. If your account should fall below this minimum, your account may be closed. SSNAI makes SRMPlus available to individuals, IRAs, trusts, estates, charitable organizations, and corporations or business entities.

New deposits to your account will be invested as soon as is practical, but no later than quarterly. Cash amounts less than \$10,000 in excess of a Portfolio's cash target will not be invested until SSNAI receives a quarterly rebalance notification from Ibbotson. For example, if an account's target cash allocation is \$4,000, cash deposited to the account must bring the cash balance in excess of \$14,000 to be invested into the Portfolio prior to the next quarterly notification.

Systematic Withdrawal Plans (SWP) may be set up for your account. Accounts with a SWP will have 12 months of cash generated separate from the Portfolio allocation. SWP cash amounts will be reviewed annually in January, and additional cash will be generated if necessary.

With the exception of cash available for a SWP, accounts will not hold assets that are not part of the Portfolio.

Accounts are carried by National Financial Services, LLC, Member NYSE/SIPC.

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

SSNAI acts as portfolio manager for SRMPlus. This creates a conflict of interest in that SSNAI bears the costs related to trading activity, thus giving SSNAI incentive to reduce trading activity in your account. This conflict of interest is addressed due to the fact that SSNAI relies on the Sub-advisor to recommend all changes in Portfolio allocations and fund selections, and then SSNAI, at its discretion, will implement all recommended changes.

SSNAI conducts a detailed review of the services and disclosures provided by a Sub-advisor prior to adding the Sub-advisor to SRMPlus. This analysis includes a review of the following characteristics: ownership, asset selection methodology, investment selection methodology, attention to compliance issues, marketing and support ability, computer technology, and research capabilities. SSNAI does not review the calculation of, or verify the accuracy of, any performance information provided by Sub-advisors. Currently, Ibbotson is the only Sub-advisor selected for SRMPlus.

SSNAI relies on its Sub-advisor for all Portfolio analysis, strategies and recommendations. Current investment strategies utilized in SRMPlus are as follows:

- **The Ibbotson Active/Passive Aggressive Growth 95/5 Model Portfolio** – seeks long-term capital appreciation through investments in mutual funds and exchange-traded funds (ETF) underlying the Portfolio. The Portfolio's target asset allocation is split 95%/5% between equity (including alternative assets) and taxable fixed-income (including cash). The Portfolio consists of assets in actively-managed mutual-funds and ETFs that passively track an index. The Portfolio's actively-managed mutual-fund holdings target areas that its Sub-advisor, Ibbotson, believes present greater opportunities to active-managers, such as small-cap equities and emerging market equities. The Portfolio's underlying ETF holdings can provide low-cost exposure to more efficiently-priced market segments. The Portfolio is susceptible to stock-market volatility and, thus, is intended for clients with at least a 15-year time horizon.
- **The Ibbotson Active/Passive Growth 80/20 Model Portfolio** – seeks long-term capital appreciation through investments in mutual funds and exchange-traded funds (ETF) underlying the Portfolio. The Portfolio's target asset allocation is split 80%/20% between equity (including alternative assets) and taxable fixed-income (including cash). The Portfolio consists of assets in actively-managed mutual-funds and ETFs that passively track an index. The Portfolio's actively-managed mutual-fund holdings target areas that its Sub-advisor, Ibbotson, believes present greater opportunities to active-managers, such as small-cap equities, emerging market equities, and non-US bonds. The Portfolio's underlying ETF holdings can provide low-cost exposure to more efficiently-priced market segments, such as government bonds. The Portfolio will experience some level of volatility, but its fixed-income holdings should provide it with a cushion in difficult stock-market climates. The Portfolio is intended for clients with at least a 10- to 15-year time horizon.

- **The Ibbotson Active/Passive Moderate 60/40 Model Portfolio** – seeks balanced and varied exposure to the stock and bond markets through investments in mutual funds and exchange-traded funds (ETF) underlying the Portfolio. The Portfolio's target asset allocation is split 60%/40% between equity (including alternative assets) and taxable fixed-income (including cash). The Portfolio consists of assets in actively-managed mutual-funds and in ETFs that passively track an index. The Portfolio's actively-managed mutual-fund holdings target areas that its Sub-advisor, Ibbotson, believes present greater opportunities to active-managers, such as small-cap equities, emerging market equities, and non-US bonds. The Portfolio's underlying ETF holdings can provide low-cost exposure to more efficiently-priced market segments, such as government bonds. The Portfolio is intended for clients who primarily seek long-term capital appreciation with some volatility. Generally, such clients have at least a five- to seven-year time horizon.
- **The Ibbotson Active/Passive 40/60 Moderately Conservative Model Portfolio** – balances its assets between stocks and bonds through investments in mutual funds and exchange-traded funds (ETF) underlying the Portfolio. The Portfolio's target asset allocation is split 40%/60% between equity (including alternative assets) and taxable fixed-income (including cash). The Portfolio consists of assets in actively-managed mutual-funds and in ETFs that passively track an index. The Portfolio's actively-managed mutual-fund holdings target areas that its Sub-advisor, Ibbotson, believes present greater opportunities to active-managers, such as small-cap equities, emerging market equities, and non-US bonds. The Portfolio's underlying ETF holdings can provide low-cost exposure to more efficiently-priced market segments, such as government bonds. The Portfolio is intended for clients seeking both moderate capital appreciation and income. Generally, such clients seek income and stability and have at least a three- to five-year time horizon.
- **The Ibbotson Active/Passive 20/80 Conservative Model Portfolio** – primarily seeks current income through investments in mutual funds and exchange-traded funds (ETF) underlying the Portfolio. The Portfolio's target asset allocation is split 20%/80% between equity (including alternative assets) and taxable fixed-income (including cash). The Portfolio consists of assets in actively-managed mutual-funds and in ETFs that passively track an index. The Portfolio's actively-managed mutual-fund holdings target areas that its Sub-advisor, Ibbotson, believes present greater opportunities to active-managers, such as high yield bonds and non-US bonds. The Portfolio's underlying ETF holdings can provide low-cost exposure to more efficiently-priced market segments, such as government bonds. The Portfolio is intended for clients who value current income and stability. Generally, such clients have at least a one- to three-year time horizon.

Investing in securities involves risk of loss that you should be prepared to bear.

Risks associated with the Portfolios include:

- Capital risk – The risk that your investments may lose value.
- Currency risk – If the assets you invest in are held in another currency there is a risk that currency movements alone may affect the value.
- Financial risk – The risk that there may be a disruption in the internal financial affairs of the investment, thereby causing a loss of value.
- Market risk – The risk that the value of a security or portfolio will decrease due to the change in value of the overall market.
- Credit risk – The risk of loss arising from a borrower who does not make payments as promised.
- Interest rate risk – The risk that an interest-bearing asset, such as a bond, will lose value due to variability of interest rates. In general, as rates rise, the price of a fixed rate bond will fall, and vice versa.

Underlying ETFs are subject to the following risks:

- The market price of an underlying ETF's shares may trade above or below net asset value.
- There may be an inactive trading market for an underlying ETF.
- The underlying ETF may employ an investment strategy that utilizes high leverage ratios.
- Trading of an underlying ETF's shares may be halted, delisted, or suspended on the listing exchange.
- The underlying ETF may fail to achieve close correlation with the index that it tracks.

SSNAI does not vote client securities.

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

Your Solicitor will obtain all information necessary to open your account. This information is obtained through the completion of the SSN New Account Form, SRMPlus Client Advisory Services Agreement, and applicable custodian new account paperwork and is provided to SSNAI.

From time-to-time, SSNAI will provide its Sub-advisors a report, for fee billing purposes, aggregated assets for each of the Portfolios. No client specific information is provided to the Sub-advisor.

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

You may not contact SSNAI or the Sub-advisor directly. You may contact your Solicitor for questions, to update personal information, or to obtain account information.

## **Item 9 – Additional Information**

### **Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of SSNAI or the integrity of SSNAI's management.

SSNAI is owned by a FINRA member introducing broker-dealer firm, SSN. The State of Florida Department of Banking and Finance named SSN in an administrative complaint alleging that it failed to supervise a former registered representative in the sale of variable annuities to two clients, a husband and wife. The matter was settled on December 21, 2002 via a stipulation and consent agreement. SSN was fined \$2,500 and ordered to pay \$12,438.38 to the state representing a return of commissions. SSN was further ordered to cease and desist from any and all violations of the Securities Act.

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

The principal business of SSNAI is the provision of advisory services. SSNAI is owned by SSN, a fully disclosed FINRA member introducing broker-dealer firm. Accounts are carried by National Financial Services, LLC, Member NYSE/SIPC. SSNAI's executive officers are registered representatives SSN. SSN receives transaction costs and charges assessed to its clients accounts. This gives SSNAI incentive to recommend SSN in its capacity as a broker-dealer if you are in need of brokerage and/or custodial services. Lower fees for comparable services may be available from other sources. This conflict of interest is fully disclosed to you in this brochure.

SSN owns and operates a full service insurance agency under the name of Network Agency, Inc. SSN also has a number of state specific insurance corporations that conduct insurance business across the country; Network Agency of Alabama, Inc., Network Agency of Ohio, RSB, Inc., SSN Agency of Texas, Inc., SSN Agency, Inc., and SSN Insurance Agency, Inc. Other affiliated entities are Renaissance Capital Corporation, which purchases equipment that is leased to SSN/SSNAI, and Fort Loudon Insurance Co, Ltd., and insurance agency for errors and omissions insurance for registered representatives of SSN.

SSNAI or SSN may receive administrative, investment advisory or other fees for providing support services, administrative support and/or client referrals to other investment advisory firms. If applicable, these arrangements are fully disclosed to you.

Through SSN's Strategic Conference Partnership Program, SSN receives revenue sharing payments from certain product providers. SSN Strategic Partners have the opportunity to place articles in our monthly publication, Network News, include monthly inserts in our representative's pay packages, advertise on our intranet, and receive Strategic Partner status on SSN's Approved Products List. This program presents a conflict of interest and gives SSNAI or your Solicitor incentive to recommend investment products based on the compensation received, rather than on your needs. These conflicts, which are disclosed in this brochure, are addressed through ongoing training, annual compliance meetings, and a review of all transactions by SSNAI's compliance staff.

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

Pursuant to SEC Rule 204A-1, SSNAI has adopted a Code of Ethics for all access persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the personal securities transactions, trading, confidentiality and privacy, prohibition on insider trading, conflicts of interest, outside affiliations, and fair compensation, among other things. All supervised persons at SSNAI must acknowledge the terms of the Code of Ethics. The firm will provide a copy of our Code of Ethics to any client or prospective client upon request.

SSNAI does not engage in principal transactions as an investment advisor. SSN, as a broker-dealer, may engage in such transactions, however, not for any SSNAI investment advisor account transaction.

SSNAI, as an investment advisor, does not affect transactions for compensation for any investment advisor clients. SSN may do so in its capacity as a broker-dealer. SSN will receive transaction costs and charges assessed to the investment advisor clients.

SSNAI does not affect agency cross transactions for any investment advisor clients. SSN may do so in its capacity as a broker-dealer.

SSNAI does not recommend securities or investment products to its investment advisor clients in which SSNAI has a financial interest other than fully disclosed commissions or referral fees. SSN may do so in its separate capacity as a broker-dealer.

SSNAI or individuals associated with SSNAI may buy or sell securities identical to those recommended to customers for their personal accounts. All such orders placed on the same day must be placed in the customers' account prior to being placed in the IAR's account. Additionally, any related person(s) may have an interest or position in certain securities that may also be recommended to a client. As such, transactions are likely to be statistically insignificant in relation to the market as a whole.

SSNAI does not permit the aggregate blocking of personal securities transactions with those of advisory clients.

As these situations may represent a conflict of interest, SSNAI has established the following restrictions in order to comply with its fiduciary responsibilities:

- a. A director, officer or employee of SSNAI shall not buy or sell securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her employment unless the information is also available to the investing public upon reasonable inquiry. No director, officer or employee of SSNAI shall prefer his or her own interest to that of the advisory client.
- b. SSNAI maintains a record of securities holdings via account statements for itself, and anyone associated with its advisory practice with access to advisory recommendations. An appropriate officer or manager of SSNAI reviews these statements on a regular basis.
- c. SSNAI emphasizes the unrestricted right of the client to decline to implement any investment advice rendered, except in situations where SSNAI is granted discretionary authority over the client's account.
- d. SSNAI requires that all directors, officers and employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
- e. Any director, officer or employee of SSNAI found to have failed to observe the above-listed principles may be subject to internal disciplinary sanctions, which may include termination.

### **Review of Accounts**

Clients participating in SRMPlus will have their accounts reviewed on a periodic basis, but no less frequently than each calendar quarter by SSNAI or Solicitor. If Sub-advisor recommends changes to the Portfolios, such changes will be communicated to SSNAI who will implement the changes to clients' accounts on a discretionary basis. Asset allocations and/or securities in the Portfolios may be adjusted or replaced at any time.

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

SSNAI as Solicitor: SSNAI, its IARs, or SSN may receive administrative, investment advisory or other fees for providing support services, administrative support and/or client referrals to other investment advisory firms. If applicable, these arrangements are fully disclosed to you.

SSNAI's Use of Solicitors: SSNAI may compensate outside professionals or firms, such as attorneys, accountants, or other broker/dealers and investment advisers, for referring your advisory business to SSNAI. These professionals or firms are known as Solicitors. SSNAI will pay a portion of the advisory fee you pay us to the Solicitor, typically for as long as you maintain an advisory relationship with us, to compensate the Solicitor for the referral. SSNAI will not charge a client who is referred to SSNAI by a Solicitor any amount for the cost of obtaining the client that is in addition to the fee normally charged by SSNAI for its investment advisory services. Such solicitation arrangements are disclosed to clients at the time of the solicitation via execution of a Solicitor Disclosure Statement or similar document that outlines the nature and amount of the compensation we pay to the Solicitor and whether or not the Solicitor is affiliated with or related to SSNAI. Solicitors are required to provide prospective clients with a current copy of SSNAI's Form ADV Part 2 no later than the date on which the client enters into an advisory relationship with SSNAI.

General Responses: Your IAR may receive non-cash compensation in the form of due diligence trips or marketing support from product sponsors. Non-cash compensation will not be based on the number or amount of sales, client referrals, or new accounts. This presents a conflict of interest and gives your IAR an incentive to recommend investment products based on the non-cash compensation received, rather than on your needs.

### **Financial Information**

SSNAI has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

