



## **Form ADV Part 2A: Client Brochure**

This Brochure provides information about the qualifications and business practices of The Strategic Financial Alliance, Inc. ("SFA"). If you have any questions about the contents of this Brochure, please contact us at (678) 954-4000. 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.

SFA is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

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

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## **ITEM 2 – MATERIAL CHANGES**

### **MATERIAL CHANGES SINCE LAST UPDATE**

This brochure dated 5/14/2013 has had the following updates since the last brochure dated 03/30/2013:

- Item 5, page 6 (Fees and Compensation) has been updated. The schedule of transaction charges for the Strategic Choice Non-Inclusive Wrap Program now includes a transaction charge for Unit Investment Trusts. The charge is \$26.40.
- Item 13, page 13 (Review of Accounts) has been updated with changes to the frequency and types of account reviews which are conducted by various parties.

### **ANNUAL UPDATE**

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, we will ensure that you receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

### **BROCHURE AVAILABILITY**

We will provide you with a new Brochure as necessary based on changes or new information, at any time, without charge. Currently, our Brochure may be requested by contacting our Chief Compliance Officer, at (678) 954-4000. Our Brochure is also available on our website, [www.thesfa.net](http://www.thesfa.net), free of charge.

*Additional information about SFA is also available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about any persons affiliated with SFA who are registered, or are required to be registered, as investment adviser representatives of SFA.*

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## **ITEM 4 – ADVISORY BUSINESS**

### **DESCRIPTION OF BUSINESS, PRINCIPALS, AND TYPES OF SERVICES**

The Strategic Financial Alliance, Inc. (“SFA”) is a registered broker-dealer with Financial Industry Regulatory Authority (“FINRA”) and is also registered as an Investment Adviser with the Securities and Exchange Commission (“SEC”). SFA has built a strong reputation within the Financial Services Industry through its open-architecture model and commitment to service. We have been an SEC registered Investment Adviser since 2003 and manage, as of 12/31/12, \$ 55,723,850 of assets on a discretionary basis and \$ 284,590,041 of assets on a non-discretionary basis. We are owned by SFA Holdings, Inc.

SFA, through its investment advisor representatives, provides the following services:

- Portfolio Management Programs
- Third Party Programs
- Financial Planning
- Financial Consulting
- Lectures and Seminars

### **PORTFOLIO MANAGEMENT PROGRAMS**

SFA offers portfolio management through its Strategic Choice programs. Within these programs, qualified investment adviser representatives assist clients in making investment decisions. Strategic Choice offers clients a personalized approach to implementing an individual investment strategy designed to meet their investment goals and objectives through asset allocation, portfolio monitoring and consolidated reporting.

In order to participate in the Strategic Choice programs, investment adviser representatives must be properly licensed, have at least five years of experience in the financial services industry (or equivalent experience as determined by the SFA) and be approved by the SFA’s senior management team. Prior to rendering advice, SFA reviews a client’s current investment portfolios, obtains necessary information regarding the client’s current and expected financial situation and makes recommendations to clients regarding their portfolios accordingly. In the initial consultation with an SFA investment advisor representative, the client and SFA assess the client’s financial situation, including investment history, goals and objectives, and special interests or concerns. It is important that the client contact SFA any time information provided by him/her changes.

Each SFA adviser representative develops and recommends a unique strategy based on his or her knowledge, experience and understanding of the client’s needs. This individualized approach allows advisor and client to work together to achieve the client’s investment goals. SFA extends maximum latitude to advisor and client, within this individualized approach as to the method in which the account will be managed. Clients may select an all-inclusive program wherein all fees, except certain fees beyond the control of SFA and its clearing firm such as stock reorganization fees, are included in the asset-based fee. Alternatively, clients may select a program wherein minimal transaction charges are paid by the client as well as an asset-based fee. The client and advisor, together, agree on the asset-based fee schedule applied to the management of the account.

### **C-SHARE MUTUAL FUND MANAGEMENT PROGRAM**

Clients may elect to pay for advisory services by purchasing class C-share mutual funds which pay a 1% annual fee to SFA. Clients select this program by executing a C-Share Program Agreement (Form TSFA 147). Notwithstanding the fact that this will be deemed to be the client's investment advisory fee, the client understands that other funds are available that offer a breakpoint for large purchases which would result in a lower sales load, as disclosed in the C-Share Program Agreement. In the event that the client terminates the investment advisory agreement with SFA, SFA will continue to receive fees as "broker of record" until such time as the Client transfers their account to another firm.

### **FTJ FUNDCHOICE™ PROGRAM**

The Strategic Financial Alliance, Inc. has an agreement with FTJ FundChoice™, LLC (FTJFC) through which SFA is able to utilize FTJFC's services to purchase, sell and manage mutual fund portfolios on behalf of its clients on a discretionary, nondiscretionary or strategist-advised basis. This program allows clients interested in mutual funds only portfolios a flexible and cost effective managed program.

Under the program, SFA advisor representatives may

- manage the assets in accounts on a non-discretionary basis wherein clients will authorize individual transactions in advance,
- manage assets in an account on a discretionary basis as granted by the client through additional documentation, according to an Investment Policy Statement agreed upon between the client and the investment advisor representative, or
- assist a client in choosing a suitable outside strategist to manage assets in an account.

Under this program SFA investment advisor representatives are authorized to deliver information and enrollment materials regarding the FTJFC Program, to accept enrollments for the Program and to render investment advisory services to persons enrolling in the Program. In enrolling persons in the FTJFC Program, representatives will explain the elements of the Program, disclose and explain the fees and will perform all screening, suitability and compliance processes applicable to such transactions. FTJFC, or one of its affiliated companies, will provide SFA with all sales materials, forms, enrollment kits and other documents to enable its representatives to obtain enrollments for the FTJFC Program. FTJFC will provide all administrative services involved in the Program. FTJFC will also provide access to an Internet site or sites for use by Registered Investment Advisor, its representatives and its customers to access information regarding SFA customer accounts with the FTJFC Program.

### **THIRD-PARTY INVESTMENT MANAGERS**

SFA has arrangements with third party investment advisors for which SFA investment advisor representatives may act as solicitors. A third party investment advisor manages client accounts in accordance with the disclosures set forth in the third party investment advisor's disclosure documents. The third party investment advisor will typically assume discretionary authority over the account. SFA and its representatives will not manage or obtain discretionary authority over the assets in accounts participating in these programs.

Under these arrangements the SFA investment advisor representative typically gathers information from the client about the client's financial situation, investment objectives, and reasonable restrictions the client wishes imposed upon the management of the account; periodically reviews reports provided to the

client and consults with the client; contacts the client at least annually to review with the client the client's financial situation and objectives; communicates information to the third party investment advisor as warranted; and assists the client in understanding and evaluating the services provided by the third party investment advisor. Clients are reminded to notify the investment advisor representative of any changes in their financial situation, investment objective or account restrictions. Clients may also contact the third party advisor managing the account directly.

#### **Mutual Fund Asset Allocation / Variable Annuity Programs**

In mutual fund/variable annuity programs managed by third party investment managers, the SFA investment advisor representative may assist clients in selecting various strategies consisting of model portfolios of mutual funds and/or variable annuity subaccounts or assist clients in designating certain of their existing investments in mutual funds and/or variable annuities to be managed by a third party investment manager.

SFA and its investment advisor representatives will not otherwise manage these accounts and will not obtain discretionary authority over the assets in accounts participating in these programs.

Certain third party advisors may offer investment advisory services that incorporate a market timing strategy for mutual funds and variable annuity sub-accounts. The goal of such timing services is to attempt to increase a client's return by switching between various funds (typically within single fund family) as certain buy/sell signals are triggered. The third party advisors will develop such signals.

Other third party advisors offer advisory services under which the investment advisor representative assists the client in selecting asset allocation classes, an investment strategy or a model portfolio consisting of mutual funds and/or variable annuities, or particular mutual funds and/or variable annuities. The third party advisor will either rebalance the mutual funds, variable annuity sub-accounts, or model portfolios selected by the client on a predetermined schedule or actively manage a portfolio of mutual funds and/or variable annuity sub-accounts in accordance with the client's stated general strategy or objectives.

#### **Manager Selection Programs**

In a manager selection program, the third party investment advisor who sponsors the program evaluates other independent investment advisors and selects advisors to participate as portfolio managers in the program. The client reviews the list of the participating portfolio managers with the investment advisor representative and selects one or more portfolio managers from that list to manage the account(s). The portfolio manager or managers selected by the client manage the account and will, typically, assume discretionary authority over the account. SFA and its investment advisor representatives will not manage or obtain discretionary authority over the assets in accounts participating in these programs.

### **FINANCIAL PLANNING SERVICES/FINANCIAL CONSULTING**

#### **Financial Planning**

The practice of financial planning involves a process that typically includes, but is not limited to:

- 1) Establishing the client/planner relationship,
- 2) Gathering client data,
- 3) Analyzing the client's financial status,
- 4) Developing and presenting financial planning recommendations and alternatives,

- 5) Implementing the recommendations and,
- 6) Monitoring the financial planning recommendations.

Should the client choose to implement the recommendations contained in the plan, SFA suggests the client work closely with his attorney, accountant, insurance agent and/or financial consultant. Implementation of the financial plan recommendations is entirely at the client's discretion. If the client should choose to use SFA as his broker-dealer, the representative may earn additional compensation.

### **Financial Consulting**

Financial consulting may include advice on one or more isolated areas of concern, such as estate or retirement planning. The representative may also provide specific consultation and administrative services regarding investments and financial concerns. Representatives will not render any legal or tax advice in connection with the client's financial plan or consultation. This provision does not apply to those representatives who are qualified to offer legal and/or tax services outside of the planning agreement through a separate entity that is not affiliated with SFA. In the event a client wishes to retain a qualified representative for legal and/or tax services outside the scope of the planning agreement, those services must be provided in a separate agreement between the client and representative. A representative may present the tax aspects of certain investments or strategies in general terms. Within this context, the representative does not provide specific tax advice and recommends that all tax questions or strategies should be discussed with the client's tax professional.

### **LECTURES AND SEMINARS**

SFA sponsors lectures, seminars, or speeches of an educational and generic nature. A broad range of topics may be included in each seminar including, but not limited to, asset allocation, retirement planning, risk, tax planning, long-term care and estate planning.

### **CLIENT TAILORED SERVICES AND CLIENT IMPOSED RESTRICTIONS**

Each SFA advisor representative develops and recommends a unique strategy based on his or her knowledge, experience and understanding of the client's needs. This individualized approach allows advisor and client to work together to achieve the client's investment goals. SFA extends maximum latitude to advisor and client, within this individualized approach as to the method in which the account will be managed. Clients may impose restrictions in investing in certain securities or types of securities in accordance with their values or beliefs.

### **WRAP FEE PROGRAMS**

Clients may select an all-inclusive program wherein all fees, except certain fees beyond the control of SFA and its clearing firm such as stock reorganization fees, are included in the asset-based fee. Alternatively, clients may select a program wherein minimal transaction charges are paid by the client as well as an asset-based fee. The client and advisor, together, agree on the asset-based fee schedule applied to the management of the account. There are no differences in management for wrap accounts and other accounts. A portion of the Total Account Fee is allocated to the Administrative Fee, which covers administrative and supervisory services provided by SFA as well as transaction, execution, clearing and



custodial services as provided by the clearing broker-dealer. The Administrative Fee is set on a sliding scale depending on the size of the assets in the account.

## **ITEM 5 – FEES AND COMPENSATION**

### **PORTFOLIO MANAGEMENT FEES AND COMPENSATION**

The Strategic Choice programs (“the Program”) discussed above offer two fee structures, an All-Inclusive account in which clients pay an asset-based advisory fee and, occasionally, fees such as a stock reorganization fees passed on by the clearing firm, and a Non-Inclusive account in which investors pay transactions costs as well as an asset-based management fee.

The specific manner in which fees are charged by SFA is established in a client’s written agreement with SFA. Clients will be charged advisory fees based on an annualized percentage of the value of the assets in the Strategic Choice account.

SFA will generally bill its fees on a quarterly basis. The fee will be assessed and billed in advance. The fee for any given calendar quarter is debited by the custodian from the client’s account at the beginning of the calendar quarter, based on the total portfolio value as of the last business day of the preceding calendar quarter. All clients will receive a debit notice showing the fee for that quarter and how it was calculated. Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

Regarding pricing for the program, please consider that depending upon the level of the wrap fee charges, the amount of portfolio activity in the account, the value of services that are provided under the investment program, and other factors, the wrap fee may or may not exceed the aggregate cost of services if they were to be provided separately. Generally, wrap programs are relatively less expensive for actively traded accounts. However, they may result in higher overall costs to the Client in accounts that experience little trading activity. The fee schedule for the program is as follows:

### **STRATEGIC CHOICE - ALL INCLUSIVE PROGRAM**

*Program fees presented are the maximum allowed under the program.*

Program Fees:

Account Value	Annual Mgmt. Fee	Negotiated Fee (if other than maximum)
From \$0 To \$50,000	2.50%	_____
Next \$50,001 To \$100,000	2.50%	_____
Next \$100,001 To \$250,000	2.50%	_____
Next \$250,001 To \$500,000	2.25%	_____
Next \$500,001 To \$1,000,000	2.00%	_____
Next \$1,000,001 and Over	1.75%	_____

**Transaction Charges**

No transaction charges are assessed for trades in these accounts except for nominal transaction charges beyond SFA's control such as those imposed by the Securities and Exchange Commission and reorganization charges.

**STRATEGIC CHOICE – NON-INCLUSIVE PROGRAM**

*Program fees presented are the maximum allowed under the program.*

Program Fees:

Account Value	Annual Mgmt. Fee	Negotiated Fee (if other than maximum)
From \$0 To \$50,000	2.00%	_____
Next \$50,001 To \$100,000	2.00%	_____
Next \$100,000 To \$250,000	2.00%	_____
Next \$250,001 To \$500,000	2.00%	_____
Next \$500,001 To \$1,000,000	1.50%	_____
Next \$1,000,001 and Over	1.00%	_____

**Transaction Charges**

In addition to the asset management fee listed above, the following chart sets forth the charges that will be applied to transactions:

Listed Equities <= 5000 Shares	\$ 18.00 + \$ 0.025 per share
Listed Equities > 5000 Shares	\$ 23.50 + \$ 0.015 per share
OTC Equities	\$ 24.50 per trade
Corporate Bonds – Listed	\$ 26.40 + \$ 1.25 per bond
Corporate Bonds –	\$ 26.40 per trade
Treasury Securities	\$ 26.40 per trade
Agency Bonds, Zero Coupon Bonds and CMOs	\$ 26.40 per trade
Money Market Instruments (BAs/CDs/Commercial Paper)	\$ 26.40 per trade
Mutual Funds – No-Load and Institutional Class	\$ 22.50 per trade
Load Funds at NAV	\$ 14.00 per trade
Load Fund Exchanges	\$ 10.00 per exchange
Unit Investment Trusts (UIT)	\$ 26.40 per trade

SFA may change the transaction fee schedule at any time by giving 30 days' prior written notice and upon the client failing to object to the change and terminating the Agreement. The transaction costs listed above are maximum costs. Occasionally client will pay a nominally reduced fee based on the clearing firm's methods of executing transactions, which is outside the control of SFA.

*For complete fee details, including account fee schedule guidelines and a list of transaction charges, please see the Wrap Fee Brochure).*

**C-SHARE MUTUAL FUND MANAGEMENT PROGRAM FEES AND COMPENSATION**

Clients may elect to pay for advisory services by purchasing class C-share mutual funds which pay a 1% annual fee to SFA. Clients select this program by executing a C-Share Program Agreement (Form TSFA 147). Notwithstanding the fact that this will be deemed to be the client's investment advisory fee, the client understands that other funds are available that offer a

breakpoint for large purchases which would result in a lower sales load, as disclosed in the C-Share Program Agreement. In the event that the client terminates the investment advisory agreement with SFA, SFA will continue to receive fees as “broker of record” until such time as the Client transfers their account to another firm.

### **FTJ FUNDCHOICE™ PROGRAM FEES AND COMPENSATION**

Fees for the FTJFC Program shall be collected by FTJFC, for the benefit of SFA, in accordance with the schedule below. FTJFC shall forward such fees to SFA on a regular basis, deducting from the amounts payable to FTJFC for provision of administrative services.

#### **Fees Charged**

- FTJFC will assess a fee determined by agreement between SFA and the client, ranging from 50 to 200 basis to be paid to SFA
- \$100 annual account maintenance fee and 20 basis point to be retained by FTJFC, for the services provided
- If the client elects to have their account include a strategist, the following additional fees are deducted from the account:

Ibbotson Associates: No Additional Charge

All other strategists: 10 Basis Points

The total of all fees deductions, exclusive of the \$100 maintenance fee are not to exceed 200 basis points (2%). This Agreement shall become effective and may be terminated according to the dates and provisions of the FTJ FundChoice™ Program agreement documents.

### **THIRD-PARTY INVESTMENT MANAGER FEES AND COMPENSATION**

Fees may be negotiated within limits set by the third party money manager. Fees generally range from 10 basis points to 270 basis points annually, depending upon the program selected, the size of the account and the services covered. Under some programs an inclusive fee covers account management, brokerage, clearance, custody and administrative services. In other programs, the account may be charged separately for such services.

The amount of the fees, services provided, payment structure, termination provisions and other aspects of each program are detailed and disclosed in the third party investment advisor’s form ADV Part 2, the wrap fee disclosure brochure, or other applicable disclosure document. SFA and/or the investment advisor representative will share in a portion of the fee charged by the third party manager. The amount of this portion varies program by program and is disclosed in documentation provided by the third party investment manager.

If mutual funds or variable annuities are used in these programs, the fees mentioned above are in addition to the internal management fees and expenses paid by the mutual funds or variable annuity companies to their separate investment advisors. In addition, variable annuity companies generally impose mortality charges on such accounts. Fees are payable in advance or in arrears as described in the third party money manager’s form ADV client and wrap fee brochures. The third party money manager determines fee schedules, termination provisions and the refund of fees for agreements terminated prior to the expiration date of the agreement. Such policies are disclosed to clients directly by the third party money manager, and vary from manager to manager.

## **FINANCIAL PLANNING AND CONSULTATION FEES AND COMPENSATION**

Representatives may charge a fixed or hourly fee for financial planning and consultations. Fees are negotiated with the client depending on the complexity of the situation, the services provided and experience of the representative. The fee that a representative may charge generally does not exceed a flat fee of \$10,000, an hourly rate of \$500 per hour or an annual management fee of 2% of asset value. Due to the complexity of some financial plans and consulting arrangements, a higher fee may be negotiated. Investment advisor representatives may charge up to one half of the agreed upon fee in advance with the remainder due upon delivery of the planning/consulting, but not more than six months in advance of delivery of the plan or consultation.

Clients may terminate the planning/consulting agreement without penalty within five business days after signing the consulting contract. Thereafter, the client may terminate the planning/consulting agreement upon written notice. If the agreement is terminated by the client, SFA will not refund any portion of the fee; however, SFA reserves the right, at its sole discretion, to refund any or all of the fee paid in individual circumstances.

## **LECTURE AND SEMINAR FEES AND COMPENSATION**

SFA may charge attendees a fee for attending such lectures and seminars. Fees for seminars are paid to SFA or to a billing agent designated on the application form. Fees are negotiable at the sole discretion of SFA. Fees are due at or prior to attendance unless otherwise specified and are not refundable.

## **ADDITIONAL FEES, COMPENSATION AND EXPENSES**

SFA's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to SFA's fee, and SFA shall not receive any portion of these commissions, fees, and costs.

## **NEGOTIATION OF FEES AND COMPENSATION**

Fees are negotiated on a case-by-case basis, depending on a variety of factors, including the nature and complexity of the particular service, your relationship with SFA and our Representative, the size of the Account, the potential for other business or clients, the amount of work anticipated and the attention needed to manage your Account. Please note that the same or similar services to those described above may be available elsewhere to you at a lower cost.

## **POTENTIAL CONFLICTS OF INTEREST**

Mutual Fund 12b-1 fees paid by mutual fund or insurance companies to SFA may be passed, in whole or in part, to investment advisor representatives. Since the fees vary from fund company to fund company, this could amount to an incentive for investment advisor representatives to favor certain mutual funds over others, contrary to the interest of the client. Pershing LLC, our clearing firm, shares a portion of fees earned on money market balances with SFA and such fees may be passed, in whole or in part, to

investment advisor representatives. These fees are nominal; however, this could amount to an incentive to retain assets in money market accounts.

In addition to providing advisory services, our Advisory Representatives will likely also sell you securities products and other investment and insurance products in their capacity as registered representatives of SFA and as licensed insurance agents. We will receive additional compensation in connection with this activity and the amount of compensation will depend on the type of product purchased. We will have a greater financial incentive to sell certain products as opposed to others (for example, in the case of mutual funds those that have a higher 12b-1 fee than others). While our security sales are reviewed for suitability by an appointed supervisor, you should be aware of the incentives we have to sell certain securities products and are encouraged to ask us about any conflict presented. Please be aware that you are under no obligation to purchase products or services recommended by us or members of our Firm in connection with providing you with any advisory service that we offer.

If a conflict of interest exists between an SFA representative, employee or related entity and a client or client's holdings, representatives are responsible to disclose such conflicts to the SFA Compliance Department. The Compliance Department will determine the materiality of such conflicts. All material conflicts will be disclosed to the clients involved. Such clients will be offered an opportunity waive such conflicts, to work with another representative, or to move their assets to another investment advisory firm.

SFA looks for potential conflicts of interest during account review. Any individual knowingly placing their own interest above that of clients may be subject to termination.

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

SFA does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

## **ITEM 7 – TYPES OF CLIENTS**

SFA provides investment advisory services to individuals, high net worth individuals, pension and profit-sharing plans, trusts, estates, charitable organizations, corporations, and other business entities.

SFA requires a minimum account size of \$25,000 for Strategic Choice accounts. This limit may be met by a single account or by aggregating the assets within multiple related accounts. This minimum account size serves as a guideline, only. SFA, at its sole discretion, may waive this minimum account requirement.

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

SFA's Representatives may rely on various types of tools and methods to assist in recommending or selecting investment strategies to you, including asset allocation and various types of software. SFA's methods of analysis include charting analysis, fundamental analysis, technical analysis, and cyclical

analysis. The main sources of information used to formulate investment advice and/or manage assets includes financial newspapers and magazines, research materials prepared by others, corporate rating services, timing services, annual reports, prospectuses, filings with the SEC, and company press releases. The investment strategies used to implement any investment advice given to clients includes long term purchases (securities held at least a year), short term purchases (securities purchased and sold within a year), margin transactions, and option writing. Investment returns are highly dependent on the value of underlying securities which are impacted by trends in the various investment markets.

We generally recommend stocks, bonds and mutual funds. Investing in stocks, bonds, and mutual funds involves the assumption of the following risks:

Investing in **stocks** involves the assumption of risk including:

- Financial Risk: the risk that the companies we recommend to you may perform poorly which will affect the price of your investment.
- Market Risk: the risk that the Stock Market will decline, decreasing the value of the securities we recommend to you with it.
- Inflation Risk: the risk that the rate of price increases in the economy deteriorates the returns associated with the stock.
- Political and Governmental Risk: the risk that the value of your investment may change with the introduction of new laws or regulations.

Investing in **bonds** involves the assumption of risk including:

- Interest Rate Risk: the risk that the value of the bond investments we recommend to you will fall if interest rates rise.
- Call Risk: the risk that your bond investment will be called or purchased back from you when conditions are favorable to the bond issuer and unfavorable to you.
- Default Risk: the risk that the bond issuer may be unable to pay you the contractual interest or principal on the bond in a timely manner or at all.
- Inflation Risk: the risk that the rate of price increases in the economy deteriorates the returns associated with the bond.

Investing in **mutual funds** involves the assumption of risk including:

- Manager Risk: the risk that an actively managed mutual fund's investment adviser will fail to execute the fund's stated investment strategy.
- Market Risk: the risk that the Stock Market will decline, decreasing the value of the securities contained within the mutual funds we recommend to you.
- Industry Risk: the risk that a group of stocks in a single industry will decline in price due to adverse developments in that industry, decreasing the value of mutual funds that are significantly invested in that industry.
- Inflation Risk: the risk that the rate of price increases in the economy deteriorates the returns associated with the mutual fund.

When using third party investment managers, each third party investment manager will have its own methods of analysis, investment strategies and unique investment risks that should also be reviewed and considered. In instances where we recommend that a third party manage your assets, please refer to the third party's ADV and associated disclosure documents for details on their investment strategies, methods of analysis and associated risks.

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

## **ITEM 9 – 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 SFA or the integrity of SFA's management. SFA has no information applicable to this Item.

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

SFA also operates as a broker-dealer registered with FINRA. Individuals affiliated with SFA may be both investment advisory agents and registered representatives. SFA and its registered representatives offer and sell securities and financial products in addition to rendering investment advice. SFA estimates it devotes 50% of its time to activities as a broker-dealer.

Many representatives associated with SFA are also licensed to sell insurance products with the states in which they do business, and are appointed by various insurance companies, including SFA's insurance agency, SFA Insurance Services, Inc.

In addition to association with SFA broker/dealer and SFA Insurance Services, we are or have Related Persons (as defined below) that are:

- investment advisers
- accountant or accounting firms
- lawyer or law firms
- insurance companies
- real estate broker/dealers

Related Persons are defined as entities that we control or control us or are under common control with us.

Clients are under no obligation to purchase insurance products, securities products or other products or services through SFA and its associated persons. While SFA and its representatives endeavor at all times to put the interest of the clients first as part of SFA's fiduciary duty, clients should be aware that the receipt of additional compensation itself creates a conflict of interest and may potentially affect the judgment of these individuals when making recommendations.

## **ITEM 11 – CODE OF ETHICS**

SFA's related persons may buy and sell securities that they also recommend to clients. Assuming similar investment strategies, client transactions are executed first and further measures may be taken to place clients' interest ahead of that of SFA personnel. Commensurate with its activities, SFA adopts and follows policies and procedures regarding securities transactions of its related persons. SFA requires related persons to submit periodic reports of securities transactions for review.



At times SFA investment advisor representatives may take positions in the same securities as clients, and will try to avoid conflicts with clients. SFA and its access persons will generally be “last in” and “last out” for the trading day when trading occurs in close proximity to client trades. SFA will not violate its fiduciary responsibilities to clients. Scalping (trading shortly ahead of clients) is prohibited. Should a conflict occur because of materiality (i.e. a thinly traded stock), disclosure will be made to the client(s) at the time of trading. Incidental trading not deemed to be a conflict (i.e. a purchase or sale which is minimal in relation to the total outstanding value, and as such would have negligible effect on the market price), would not be disclosed at the time of trading.

- All access persons of SFA must report securities holdings and personal securities transactions to the Chief Compliance Officer or his designee, whether the transactions are done through SFA or outside the firm with a third party. SFA has developed internal policies and procedures to review and monitor personal securities transactions of its access persons.
- Officers, employees and representatives of SFA may purchase the same securities that are recommended to clients. However, SFA does not engage in principal or agency cross-transactions. Because SFA or individuals associated with SFA may buy or sell securities in their personal accounts identical to those recommended to customers, SFA has established the following restrictions in order to ensure its fiduciary responsibilities:
  - A director, officer or employee of SFA 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 position, unless the information is also available to the investing public or reasonable inquiry. No employee or investment advisor representative of SFA shall prefer his or her own interest to that of the advisory client.
  - SFA emphasizes the unrestricted right of the client to decline to implement any advice rendered, except in situations where SFA is granted discretionary authority in the client's account.
  - SFA requires that all individuals must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
  - Any individual not in observance of the above may be subject to termination.

By SEC rule under the Advisors Act, SFA has adopted a Code of Ethics (“Code”). The SFA Code goes beyond a code of ethical standards and requires specific procedures for advisory personnel to report personal securities transactions and obtain pre-approval of certain transactions. It sets forth standards of conduct and requires compliance with federal securities laws. Prospective or existing clients may request a copy of SFA’s Code by contacting their investment advisor representative or by contacting SFA using the contact information on the cover of this brochure.

The policy of SFA is to protect the interests of each of the firm’s clients and to place the client’s interests first and foremost in each and every situation. The firm’s fiduciary duty also includes providing full and fair disclosure of all relevant facts and any potential or actual conflicts of interest, a duty of loyalty and good faith, providing recommendations that are suitable, and seeking best execution of all client transactions.

SFA reviews all managed accounts on a regular basis by routinely monitoring transactions and conducting portfolio reviews. In addition, reviews may be conducted at the request of the client, Investment Advisor Representative or, if merited, by a change in the client’s investment objectives.



## **ITEM 12 – BROKERAGE PRACTICES**

Registered investment advisers are required to disclose if research or other products or services other than execution from a broker-dealer or third party is received in connection with client securities transactions (“soft dollar benefits”). We do not engage in any soft dollar benefits; therefore, SFA has no information applicable to this Item.

## **ITEM 13 – REVIEW OF ACCOUNTS**

Each security purchase or sale effected by our representative in your account is monitored for suitability by an appointed supervisor. Representatives review client accounts in their entirety at least annually. Transactions in the accounts are reviewed on an ongoing basis. Interim reviews may occur upon a change in the client’s situation and take into consideration the client’s needs at the time of review as well as any changes in financial status, goals, objectives, current market conditions, performance standards, and suitability, among other factors.

For financial planning clients, reviews occur upon the engagement as part of the financial planning process. The extent of reviews depends on the arrangement with the client. Thereafter, reviews are conducted according to the arrangement agreed upon with the client. Financial planning clients receive a financial plan in the agreed upon form upon completion of the plan by the investment advisor representative. Updates to the financial plan and subsequent reviews are conducted as determined by advisor and client, based on the expressed needs of the client.

SFA has many advisory representatives who render investment advisory services to clients with different methods. Some advisors manage accounts, solicit for third-party money managers, and/or engage in financial planning or consulting. SFA instructs each investment advisory agent that manages accounts to review accounts, at least annually, as to suitability of the portfolio to client’s financial needs and objectives, and to determine what action, if any, is indicated. Broader reviews are performed periodically by members of OSJs and/or the SFA Compliance Department, or their qualified designees.

SFA’s clearing firm and account custodian provides Strategic Choice clients with brokerage account statements monthly, unless there has been no activity in the account, and comprehensive account and performance reports, quarterly. The clearing firm also sends confirmations of transactions to clients when activity occurs in accounts.

Third party money managers to whom SFA has referred clients provide statements and performance reports to clients, monthly or quarterly, based on the manager’s company policy and their agreement with the client.

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

In its capacity as a broker-dealer, SFA and its registered representatives may earn brokerage commissions and/or fees from the sale or services of investment products such as stocks, bonds, mutual funds, variable annuities and variable universal life products. Commissions vary depending upon the type of security and service offered.

SFA may receive 12b-1 distribution fees and/or sales commissions from investment companies in connection with the placement of client funds into investment company products as set forth in the prospectus or other disclosure document for the investment company and may distribute a portion of those fees to investment advisor representatives.

In certain instances, product sponsors, investment companies, and third party money managers (“product sponsors”) may participate in activities that are designed to help facilitate the distribution of their products, such as marketing activities and educational programs, and by offsetting expenses that result from the cost of doing business. Additionally, SFA may enter into arrangements with product sponsors whereby SFA receives a marketing allowance or other financial benefit based on sales of the product sponsor’s products or by providing access to registered representatives affiliated with SFA’s broker-dealer. In return for assistance in facilitating the activities described above, SFA may receive additional compensation from product sponsors. However, SFA does not recommend these products over others. These companies may have greater access to our representatives to provide training, education presentations and product information. And this additional compensation may give rise to a financial incentive for SFA to recommend these products over other products where such financial incentives are not present.

We may pay referral fees to unaffiliated third parties (“Solicitors”) equal to a percentage of the advisory fees collected from clients that Solicitors referred to our Advisory Representatives. Specific terms and obligations of the Solicitor and our Advisory Representatives are outlined in a written solicitation agreement.

While SFA and its registered representatives endeavor at all times to put the interest of the clients first as part of SFA’s fiduciary duty, clients should be aware that the receipt of additional compensation itself creates a conflict of interest and may potentially affect the judgment of these individuals when making recommendations. Additionally because of the revenue sharing arrangements referenced above, though they do not impact advisor compensation, advisors may prefer recommending products offered by a sponsor who is participating in the revenue sharing program over other mutual funds, variable products, DPPs, REITs or third party money managers available through SFA. You should feel free to ask your advisor how he or she will be compensated for any transaction involving a product sponsor.

## **ITEM 15 – CUSTODY**

Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. SFA urges you to carefully review such statements and compare such official custodial records to the account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

## **ITEM 16 – INVESTMENT DISCRETION**

We may manage your accounts on a discretionary or non-discretionary basis. We will only manage your account on a discretionary basis upon obtaining your consent. Your consent is typically granted and evidenced in the client agreement that you sign with us. We define discretion as: the ability to trade your account, without obtaining your prior consent, the securities and amount of securities to be bought or sold, and the timing of the purchase or sale. It does not extend to the withdrawal or transfer of your account funds.

We may give advice and take action in the performance of our duties to you, which differs from advice given, or the timing and nature of action taken, with respect to our clients' accounts.

## **ITEM 17 – VOTING *CLIENT* SECURITIES**

As a matter of firm policy and practice, SFA does not have any authority to and does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. SFA may provide advice to clients regarding the clients' voting of proxies.

## **ITEM 18 – FINANCIAL INFORMATION**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about SFA's financial condition. SFA 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.

## **ITEM 19 – REQUIREMENTS FOR STATE-REGISTERED ADVISERS**

Not applicable. We are an SEC registered investment adviser.