



STEFFES FINANCIAL, LTD.

**Solutions for a Complex World**

## **Form ADV, Part 2A**

### **Client Brochure**

The attached Securities and Exchange Commission (SEC) Form ADV, Part 2A, gives information about Steffes Financial, Ltd., and its business.

Version Date: 02-01-2013

*This brochure provides information about the qualifications and business practices of Steffes Financial, Ltd.. If you have any questions about the contents of this brochure, please contact us at (913) 722-1111 or by email at: [Gerald@SteffesFinancial.com](mailto:Gerald@SteffesFinancial.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Additional information about Steffes Financial, Ltd. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Steffes Financial, Ltd.'s CRD number is: 134530*

*Registration does not imply a certain level of skill or training.*

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## Item 2: Material Changes

Since our last annual update was filed in March 2012, the material changes to our disclosure brochure include the following:

- 1) An update to the reported amount of assets our firm manages. In March 2012, we had reported assets under management in the amount of \$162,000,000 for fiscal year-end December 31, 2011. For our current annual update filing in February 2013, we are reporting assets under management in the amount of \$174,713,000 for fiscal year-end December 31, 2012. Please refer to *Item 4 – Advisory Business*.

In the past our firm has offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new rules, we will ensure that you receive a summary of any material changes to this and subsequent Disclosure Brochures within 120 days after our fiscal year ends. Our fiscal year ends on December 31 so you will receive the summary of material changes no later than April 30 each year. At that time we will also offer or provide a copy of the most current Disclosure Brochure. We may also provide other ongoing disclosure information about material changes as necessary.

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## **Item 4: Advisory Business**

### **A. Description of the Advisory Firm**

This firm has been in business since April 15, 2005, and the principal owner is Gerald C. Steffes.

### **B. Types of Advisory Services**

Steffes Financial, Ltd. (hereinafter “Steffes Financial”) offers the following services to advisory clients:

#### ***Discretionary Investment Advisory Account Management***

Steffes Financial offers ongoing portfolio management services based on the individual goals, objectives, time horizon, and risk tolerance of each client. Steffes Financial creates an Investment Policy Statement for each client, which outlines the client’s current situation (investment objectives and risk tolerance levels) and then outlines an investment strategy (the Investment Policy Statement). Investment Supervisory Services include, but are not limited to, the following:

- Investment strategy
- Asset allocation
- Risk tolerance
- Personal investment policy
- Asset selection
- Regular portfolio monitoring

Steffes Financial evaluates the current investments of each client with respect to their risk tolerance levels and time horizon. Steffes Financial will request discretionary authority from clients in order to select securities and execute transactions without permission from the client prior to each transaction. Risk tolerance levels are documented in the Investment Policy Statement, which is given to each client.

#### ***Individual Qualified Retirement Account Investment Consulting***

Steffes Financial provides Retirement Account Investment Analysis and Asset Allocation Recommendation services to individual qualified retirement account participants on an individual per engagement basis. Steffes Financial provides recommendations and advice to individual plan participants regarding the investment choices within the participant’s qualified retirement plan. Steffes Financial does not undertake any obligation for the implementation of the client's retirement account asset allocation changes. Implementation of any asset allocation recommendations is entirely at the discretion of the client. The client is under no obligation to make any product purchases through Steffes Financial.

### ***Financial Planning***

Steffes Financial provides financial planning and/or consulting services to individuals and institutions that are consistent with the clients' financial and tax status, in addition to their risk profile and return objectives. Steffes Financial may also provide general non-securities advice on topics that may include tax and budgetary, estate and business planning.

Financial plans and financial planning may include, but are not limited to: investment planning, life insurance; tax concerns; retirement planning; college planning; and debt/credit planning. These services are based on hourly fees and the final fee structure is documented in the Financial Planning Agreement.

### ***Qualified Retirement Plan Consulting***

Steffes Financial provides qualified retirement plan consulting services. The qualified retirement plan consulting services may include qualified plan development, investment selections services, educational presentations, due diligence review of the qualified retirement plan and its investment options, and support with plan participant enrollment.

### ***Services Limited to Specific Types of Investments***

Steffes Financial generally limits its investment advice and/or money management to mutual funds, equities, bonds, fixed income, debt securities, ETFs, REITs, insurance products including annuities, private placements, and government securities. Steffes Financial may use other securities to help diversify a portfolio.

### ***Sub-Advisory Agreements***

Steffes Financial may hire independent third-party investment advisers to aid Steffes Financial in implementing investment strategies for its clients. In certain circumstances, Steffes Financial may allocate a portion of a portfolio to an independent third-party investment adviser ("separate account manager") for separate account management based upon individual client circumstances and objectives, including, but not limited to, client account size and tax circumstances. Upon the recognition of such situations, in coordination with the client, Steffes Financial will hire a separate account manager or enter into a tri-party agreement with the client and separate account manager for the management of those securities.

## **C. Client Tailored Services and Client Imposed Restrictions**

Steffes Financial offers the same suite of services to all of its clients. However, specific client financial plans and their implementation are dependent upon the client

Investment Policy Statement which outlines each client's current situation (investment objectives and risk tolerance levels) and is used to construct a client specific plan to aid in the selection of a portfolio that matches restrictions, needs, and targets.

Clients may impose written restrictions in investing in certain securities or types of securities in accordance with their values or beliefs. However, if the restrictions prevent Steffes Financial from properly servicing the client account, or if the restrictions would require Steffes Financial to deviate from its standard suite of services, Steffes Financial reserves the right to end the relationship.

#### **D. Wrap Fee Programs**

Steffes Financial does not participate in any wrap fee programs.

#### **E. Amounts Under Management**

Steffes Financial has the following assets under management (rounded to the nearest \$1,000):

<b>Discretionary Amounts:</b>	<b>Non-discretionary Amounts:</b>	<b>Date Calculated:</b>
\$129,966,000	\$ 44,747,000	12/31/2012

### **Item 5: Fees and Compensation**

#### **A. Fee Schedule**

***Discretionary Investment Advisory Account Management Fees  
and Qualified Retirement Account Investment Consulting Fees***

<b><u>Annual Percentage</u></b>	<b><u>Portfolio Value</u></b>
1.35% on the first \$250,000	\$0 - \$250,000
1.20% on the next \$250,000	\$250,001 - \$500,000
1.00% on the next \$250,000	\$500,001 - \$750,000
0.80% on the next \$250,000	\$750,001 - \$1,000,000
0.60% on all additional assets	Above \$1,000,00

Steffes Financial generally adheres to the fee schedule above, has a minimum portfolio size of \$750,000, and a minimum annual fee of \$8,875. However, at the sole discretion of Steffes Financial, fees may be higher or lower and Steffes Financial may accept portfolios less than \$750,000.

Fees are paid quarterly in arrears or in advance based on the client's situation and the sole discretion of Steffes Financial. If fees are billed in arrears, fees are due on the first business day following the quarter-end and are based on the account's asset value as of the last business day of the quarter being billed. If fees are billed in advance, fees are due on the first business day of the quarter and are based on the account's asset value as of the last business day of the prior calendar quarter. Clients may terminate their contract with thirty days written notice. Fees that are drafted from a client's investment account are reported on the client's brokerage account statement.

Clients will have a period of five (5) business days from the date of signing an investment advisory agreement to unconditionally rescind the agreement and receive a full refund of all fees. Thereafter, either party may terminate the investment advisory agreement with 30 days written notice. Upon termination, fees will be prorated to the date of termination and if client has paid advisory fees in advance, the unearned portion of the fee will be refunded to the client. If the client's advisory fees are billed in arrears, the pro-rata fee due will be deducted from the client's account or Steffes Financial will issue an invoice to the client for the pro-rated amount of fees due for services provided through the effective date of termination.

For the provision of consulting services to clients who are individual qualified retirement plan participants, fees will be automatically deducted from an alternate account as designated in the Financial Planning Agreement, or if agreed to in advance, those clients who are individual qualified plan participants may request Steffes Financial to bill the client directly rather than have fees automatically deducted from an alternate account. If fees are billed directly to the client, then such fees for Steffes Financial services shall be due within thirty (30) days after the client's receipt of the billing notice. The exact fee charged and billing arrangements for each client will be agreed upon with the client prior to commencing services. The fee and billing arrangements will be detailed in the client's Financial Planning & Investment Consulting Agreement.

When managing ERISA and qualified accounts, Steffes Financial will lower or offset its management fee by the amount of any 12(b)-1 fees and other commissions received in the event such types of compensation are received by Steffes Financial representatives in their individual capacities as registered representatives of Cambridge Investment Research, Inc. (CIR).

The account Custodian may charge fees which are in addition to and separate from the investment advisory service fee. Custodians may charge accounts for various transaction costs, retirement plan and administration fees. In addition, some mutual fund assets deposited in the account may be subject to deferred sales charges and 12b-1 fees and other mutual fund annual expenses as described in the fund's prospectus. Advisory clients should also note that fees for comparable services vary and lower fees for comparable services may be available from other sources.



### ***Qualified Retirement Plan Consulting Fees***

<b><u>Annual Percentage</u></b>	<b><u>Plan Value</u></b>
0.80% on the first \$500,000	\$0 - \$500,000
0.60% on the next \$500,000	\$500,001 - \$1,000,000
0.40% on the next \$1,000,000	\$1,000,001 - \$2,000,000
0.20% on the next \$3,000,000	\$ 2,000,001 - \$5,000,000
0.05% on all additional assets	Above \$5,000,000

Steffes Financial generally adheres to the fee schedule above, has a minimum qualified retirement plan account size of \$1,000,000, and a minimum annual fee of \$7,000. However, at the sole discretion of Steffes Financial, fees may be higher or lower and Steffes Financial may accept qualified plan accounts less than \$1,000,000. The consulting fee for qualified retirement plans is calculated and billed in arrears at the end of each quarter.

A qualified retirement plan client will have a period of five (5) business days from the date of signing an investment advisory agreement to unconditionally rescind the agreement and receive a full refund of all fees. Thereafter, either party may terminate the investment advisory agreement with 30 days written notice. Upon termination, fees will be prorated to the date of termination and Steffes Financial will issue an invoice to the client for the pro-rated amount of fees due for services provided through the effective date of termination.

When consulting on ERISA and qualified accounts, Steffes Financial will lower or offset its management fee by the amount of any 12(b)-1 fees and other commissions received in the event such types of compensation are received by Steffes Financial representatives in their individual capacities as registered representatives of CIR.

The account Custodian may charge fees which are in addition to and separate from the investment advisory service fee. Custodians may charge accounts for various transaction costs, retirement plan and administration fees. In addition, some mutual fund assets deposited in the account may be subject to deferred sales charges and 12b-1 fees and other mutual fund annual expenses as described in the fund's prospectus. Advisory clients should also note that fees for comparable services vary and lower fees for comparable services may be available from other sources.

### ***Financial Planning Fees***

Depending on the complexity of the situation and the needs of the clients, the hourly rate for financial planning and consulting services is between \$150 and \$300. However, at the sole discretion of Steffes Financial, fees may be higher or lower. Adjustments are typically based on the complexity of the clients' circumstances and the range and

number of services provided. Hourly fees are due and payable upon completion of the plan or services and a deposit is sometimes required.

Financial planning and consulting clients will have a period of five (5) business days from the date of signing an agreement to unconditionally rescind the agreement and receive a full refund of all fees. Thereafter, the client may terminate the agreement by providing Steffes Financial with written notice prior to delivery of the plan or service. Upon termination, fees will be prorated to the date of termination and based on work performed prior to the receipt of the notice of termination. Steffes Financial will issue an invoice to the client for the pro-rated amount of fees due for services provided through the effective date of termination, or if the client has prepaid fees, then any unearned portion of the fee that has been prepaid will be refunded to the client.

When financial planning and/or consulting services are offered or provided to clients, there is a potential conflict of interest since there is an incentive for the party offering financial planning or consulting services to recommend products or services for which Steffes Financial, or a related party, may receive compensation. However, financial planning or consulting clients are under no obligation to act upon any recommendations of Steffes Financial or to effect any transactions through Steffes Financial or related party if they decide to follow the recommendations.

## **B. Payment of Fees**

### ***Payment of Discretionary Investment Advisory Account Management Fees and Qualified Retirement Account Investment Consulting Fees***

Advisory and consulting fees are withdrawn directly from the client's accounts with client written authorization. Fees are paid quarterly in advance or in arrears.

### ***Payment of Financial Planning Fees***

Hourly Financial Planning fees are paid via check in arrears with a deposit in advance. No refund policy is necessary for fees charged in arrears. Fees that are charged in advance will be refunded based on the prorated amount of work completed at the point of termination.

## **C. Clients Are Responsible For Third Party Fees**

Clients are responsible for the payment of all third party fees (i.e. custodian fees, mutual fund fees, transaction fees, etc.). Those fees are separate and distinct from the fees and expenses charged by Steffes Financial. Please also see *Item 12 – Brokerage Practices*.

## **D. Prepayment of Fees**

Steffes Financial collects fees in advance and in arrears. No refund policy is necessary for fees charged in arrears. Fees that are collected in advance will be refunded based on the prorated amount of work completed at the point of termination and the total days during the billing period. Any pro-rated refund of fees paid in advance will be returned within thirty days to the client via check.

## **E. Outside Compensation For the Sale of Securities to Clients**

In certain situations, Steffes Financial associates, in their separate roles as registered representatives with an unaffiliated broker-dealer, accept compensation for the sale of securities to Steffes Financial clients.

### ***1. This is a Conflict of Interest***

In certain situations, Steffes Financial and its supervised persons will receive compensation for the sale or servicing of securities or other investment products, including asset based sales charges or services fees from insurance annuity products or mutual funds. This presents a conflict of interest and gives the supervised person and Steffes Financial an incentive to recommend products based on the compensation received rather than on the client's needs. When recommending the sale of securities or investment products for which Steffes Financial receives compensation, Steffes Financial will inform the client of the conflict of interest.

### ***2. Clients Have the Option to Purchase Recommended Products From Other Brokers***

Clients always have the option to purchase Steffes Financial recommended products through other brokers or agents that are not affiliated with Steffes Financial.

### ***3. Advisory Fees in Addition to Commissions or Markups***

Advisory fees that are charged to clients are reduced by a discounted fee to offset any commissions or service fees (if any) received by Steffes Financial associates on securities or investment products recommended to clients.

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

Steffes Financial does not accept performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client.

## Item 7: Types of Clients

Steffes Financial generally provides investment advice and/or management supervisory services to the following types of clients:

- ❖ Individuals
- ❖ High-Net-Worth Individuals
- ❖ Pension and Profit Sharing Plans
- ❖ Corporations or Business Entities

### ***Minimum Account Size***

There is an account minimum of \$750,000 for advisory management clients and \$1,000,000 for qualified plan consulting clients, which may be waived by Steffes Financial, based on the needs of the client and the complexity of the situation. However, Steffes Financial may continue to service existing accounts that have values that are below the minimum.

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

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

Steffes Financial's methods of analysis include charting analysis, fundamental analysis, and technical analysis.

*Charting analysis* involves the use of patterns in performance charts. Steffes Financial uses this technique to search for patterns used to help predict favorable conditions for buying and/or selling a security.

*Fundamental analysis* involves the analysis of financial statements, the general financial health of companies, and/or the analysis of management or competitive advantages.

*Technical analysis* involves the analysis of past market data; primarily price and volume.

In addition, Adviser may receive sub-advisory services from other registered investment advisers. Adviser considers these services it pays for from other investment advisers to help adviser implement investment strategies for its clients.

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

## **B. Material Risks Involved**

Steffes Financial uses Long Term Trading and Short Term Trading strategies.

Steffes Financial utilizes investment strategies that are designed to capture market rates of both return and risk. Frequent trading, when done, can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.

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

## **C. Risks of Specific Securities Utilized**

Steffes Financial generally seeks investment strategies that do not involve significant or unusual risk beyond that of the general domestic and/or international equity markets.

**Past performance is not a guarantee of future returns. Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

## **Item 9: Disciplinary Information**

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of this advisory business or the integrity of our management.

## **Item 10: Other Financial Industry Activities and Affiliations**

### **A. Registration as a Broker/Dealer or Broker/Dealer Representative**

Representatives of Steffes Financial are registered securities representatives of Cambridge Investment Research, Inc., a registered broker-dealer, member of the Financial Industry Regulatory Authority ("FINRA"), and Securities Investor Protection Corporation ("SIPC"). In addition, representatives of Steffes Financial are licensed insurance agents with various insurance companies and offer limited tax preparation services.

Gerald C. Steffes is a minority shareholder of Cambridge Investment Research, Inc.

### **B. Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor**

Neither Steffes Financial nor its representatives are registered as a FCM, CPO, or CTA.

### **C. Registration Relationships Material to this Advisory Business and Possible Conflicts of Interests**

Representatives of Steffes Financial are registered representatives and licensed insurance agents. From time to time, they will offer clients advice or products from those activities. For Discretionary Investment Advisory Account Management, Steffes Financial will have complete discretion over the selection and amount of securities to be bought or sold without obtaining specific client consent.

Representatives of Steffes Financial, in their capacity as registered representatives of Cambridge Investment Research, Inc., (CIR) may suggest that clients implement recommendations through CIR. If the client so elects, the Representative of Steffes Financial would receive compensation resulting from these securities transactions, presenting the Representative of Steffes Financial with a conflict of interest. Furthermore, in implementing a plan through relationships maintained by the Representatives of Steffes Financial, clients may pay commissions or fees that are higher or lower than those that may be obtained from elsewhere for similar services. Steffes Financial always acts in the best interest of the client; including the sale of commissionable products to advisory clients. Clients are advised that they are under no obligation to implement the plan or its recommendations through the Representatives of Steffes Financial in the Representatives' capacity as registered representatives or insurance agents.

Gerald C. Steffes and his spouse own 50% of S&S Business Properties, LLC, which operates and owns commercial real estate at 8655 College Blvd, Overland Park, KS 66210. Steffes Financial leases office space from S&S Business Properties, LLC.

### **D. Selection of Other Advisors or Managers and How This Adviser is Compensated for Those Selections**

Steffes Financial may hire independent third-party investment advisers to aid Steffes Financial in implementing investment strategies for its clients. In certain circumstances, Steffes Financial may allocate a portion of a portfolio to an independent third-party investment adviser ("separate account manager") for separate account management based upon individual client circumstances and objectives, including, but not limited to, client account size and tax circumstances. Upon the recognition of such situations, in coordination with the client, Steffes Financial will hire a separate account manager or enter into a tri-party agreement with the client and separate account manager for the management of those securities.

## **Item 11: Code of Ethics, Participation in Transactions, Personal Trading**

### **A. Code of Ethics**

Steffes Financial has a written Code of Ethics that covers the following areas: Prohibited Purchases and Sales, Insider Trading, Personal Securities Transactions, Exempted Transactions, Prohibited Activities, Conflicts of Interest, Gifts and Entertainment, Confidentiality, Service on a Board of Directors, Compliance Procedures, Compliance with Laws and Regulations, Procedures and Reporting, Certification of Compliance, Reporting Violations, Compliance Officer Duties, Training and Education, Recordkeeping, Annual Review, and Sanctions. Clients may request a copy of our Code of Ethics from management.

### **B. Recommendations Involving Material Financial Interests**

Steffes Financial does not recommend that clients buy or sell any security in which a related person to Steffes Financial has a material financial interest.

### **C. Investing Personal Money in the Same Securities as Clients**

From time to time, representatives of Steffes Financial may buy or sell securities for themselves that they also recommend to clients. Steffes Financial will always document any transactions that could be construed as conflicts of interest. In all cases, client orders are given priority. Representatives of Steffes Financial seek to ensure that they do not personally benefit from any potential short-term market effects of their recommendations to clients. Representatives of Steffes Financial may also buy or sell a specific security for their own account based on personal investment considerations, which Steffes Financial may not deem appropriate to buy or sell for clients.

### **D. Trading Securities At/Around the Same Time as Clients' Securities**

From time to time, representatives of Steffes Financial may buy or sell securities for themselves at or around the same time as clients. Steffes Financial will not trade material non-mutual fund or non-ETF security positions 5 days prior to or 5 days after trading the same security for clients.

## **Item 12: Brokerage Practices**

### **A. Factors Used to Select Custodians and/or Broker/Dealers**

Steffes Financial Associates will recommend and select which custodian to use. Generally, these recommendations are based on Steffes Financial's perception of the breadth of services offered, and quality of execution. However, the client may pay commissions or fees that are higher or lower than those that may be obtained from elsewhere for similar services.

Custodian's currently reviewed and used are TD Ameritrade and Charles Schwab & Company. Other custodians will be reviewed and considered as deemed necessary.

If clients wish to have a representative of Steffes Financial implement the advice in the representative's capacity as a registered representative, the broker/dealer, Cambridge Investment Research, Inc. (CIR), will be used. CIR has a wide range of approved securities products for which CIR performs due diligence when selecting. CIR's registered representatives are required to adhere to these products when implementing securities transactions. The commissions (if any) earned for these products may be higher or lower than commissions earned through another broker/dealer.

#### **Cambridge Investment Research, Inc, Equity Participation Plan:**

In addition, Gerald C. Steffes has entered into an Equity Participation Plan with Cambridge Investment Research, Inc. (CIR). Under this arrangement, Gerald C. Steffes has the ability to earn a percentage of CIR's overall profit ratio. Gerald C. Steffes is not an officer of CIR. However, Gerald C. Steffes does participate in the Equity Participation Plan due to his affiliation as a registered representative of CIR. This arrangement between Gerald C. Steffes and CIR is a potential conflict of interest between Steffes Financial and its clients in that it may inhibit Gerald C. Steffes' independent judgment concerning the best execution services offered by CIR.

While Steffes Financial has an arrangement with CIR, and the clearing broker/dealers that have contracted with CIR, at least annually, Steffes Financial will review alternative broker/dealers and custodians in the marketplace to ensure CIR and its custodians are meeting Steffes Financial's duty to provide best execution for client accounts. The review will include a comparison to CIR and the currently used custodians which involve evaluating criteria such as overall expertise, cost competitiveness and financial condition. The quality of execution by CIR and custodians will be reviewed through trade journal evaluations or Internet research provided by the custodians. However, best execution does not simply mean the lowest transaction cost. Therefore, no single criteria will validate nor invalidate a custodian, but rather, all criteria taken together will be used in evaluating the currently utilized custodian. The recommendation of CIR is not influenced by any soft dollar services or benefits provided to Steffes Financial.



**TD Ameritrade Brokerage Accounts:**

Steffes Financial participates in the TD Ameritrade Institutional program. TD Ameritrade Institutional is a division of TD Ameritrade, Inc. ("TD Ameritrade") member FINRA/SIPC/NFA. TD Ameritrade is an independent (and unaffiliated) SEC-registered broker-dealer. TD Ameritrade offers to independent investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions. Steffes Financial receives some benefits from TD Ameritrade through its participation in the program.

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

**Charles Schwab and Company Brokerage Accounts:**

Steffes Financial may recommend that clients establish brokerage accounts with the Schwab Institutional division of Charles Schwab & Co., Inc. (Schwab), a registered

broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Steffes Financial is independently owned and operated and not affiliated with Schwab. Schwab provides Steffes Financial with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them as long as a total of at least \$10 million of the advisor's clients' assets is maintained in accounts at Schwab Institutional and is not otherwise contingent upon Steffes Financial committing to Schwab any specific amount of business (assets in custody or trading). Schwab's services include brokerage, custody, research and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

For Steffes Financial's clients' accounts maintained in its custody, Schwab generally does not charge separately for custody but is compensated by account holders through commissions or other transaction-related fees for securities trades that are executed through Schwab or that settle into Schwab accounts.

Schwab also makes available to Steffes Financial other products and services that benefit Steffes Financial's clients' accounts. Some of these other products and services assist Steffes Financial in managing and administering clients' accounts. These include software and other technology that provide access to client account data (such as trade confirmations and accounts statements); facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts); provide research, pricing information and other market data; facilitate payment of Steffes Financial's fees from its client accounts; and assist with back-office functions, recordkeeping and client reporting. Many of these services generally may be used to service all or a substantial number of Steffes Financial's accounts, including accounts not maintained at Schwab Institutional.

Schwab Institutional also makes available to Steffes Financial other services intended to help Steffes Financial manage and further develop its business enterprise. These services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance and marketing. In addition, Schwab may make available, arrange and/or pay for these types of services rendered to Steffes Financial by independent third parties. Schwab Institutional may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third party providing these services to Steffes Financial. Steffes Financial endeavors to act in its clients' best interests and the recommendation or requirement that clients maintain their assets in accounts at Schwab may be based in part on the benefit to Steffes Financial of the availability of some of the foregoing products and services and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

### ***1. Research and Other Soft-Dollar Benefits***

There is no minimum client number or dollar number that Steffes Financial must meet in order to receive free research from the custodian or broker/dealer. There is no incentive for Steffes Financial to direct clients to this particular broker-dealer over other broker-dealers who offer the same services. The primary considerations when recommending broker/dealers to clients is best execution and quality of service.

### ***2. Brokerage for Client Referrals***

Steffes Financial receives no referrals from a broker-dealer or third party in exchange for using that broker-dealer or third party.

### ***3. Clients Directing Which Broker/Dealer/Custodian to Use***

Steffes Financial will not allow clients to direct Steffes Financial to use a specific broker-dealer to execute transactions. Clients must use a Steffes Financial recommended custodian (broker-dealer). By requiring clients to use a specific custodian, Steffes Financial may be unable to achieve the most favorable execution of client transaction and this may cost clients money over using a lower-cost custodian.

## **B. Aggregating (Block) Trading for Multiple Client Accounts**

Steffes Financial maintains the ability to block trade across accounts but will do so in only certain situations at the discretion of the Representative of Steffes Financial. While block trading may benefit clients by purchasing larger blocks in groups, we do not feel that the clients are at a disadvantage due to the best execution practices of our custodian.

## **Item 13: Reviews of Accounts**

### **A. Frequency and Nature of Periodic Reviews and Who Makes Those Reviews**

Client accounts are reviewed at least annually by Gerald C. Steffes or Amy R. White. They are the chief advisors and are instructed to review clients' accounts with regards to their investment policies and risk tolerance levels.

All financial planning accounts are reviewed upon financial plan creation and plan delivery by Gerald C. Steffes or Amy R. White.

## **B. Factors That Will Trigger a Non-Periodic Review of Client Accounts**

Reviews may be triggered by material market, economic or political events, or by changes in client's financial situations (such as retirement, personal tax or financial status, termination of employment, physical move, or inheritance).

## **C. Content and Frequency of Regular Reports Provided to Clients**

Each client will periodically receive a written report detailing the client's asset allocation and account performance. In addition, brokerage statements are generated no less than quarterly. These statements are sent directly from the account custodian. These statements list the account positions, activity in the account over the covered period and other related information. Clients are also sent trade confirmations following each brokerage account transaction unless confirmations have been waived.

# **Item 14: Client Referrals and Other Compensation**

## **A. Economic Benefits Provided by Third Parties for Advice Rendered to Clients (Includes Sales Awards or Other Prizes)**

Please see the disclosures at *Item 12-Brokerage Practices* for a description of certain benefits received by Steffes Financial related to its recommendation of TD Ameritrade to clients for custody and brokerage services and related to its recommendation of Schwab to clients for custody and brokerage services.

In addition to the benefits described at Item 12-Brokerage Practices related to the recommendation of TD Ameritrade to clients for custody and brokerage services, Steffes Financial receives economic benefits ("Additional Services") that may or may not be offered to any other independent investment advisers participating in the TD Ameritrade Institutional program. Specifically, the Additional Services include payments by TD Ameritrade to Morningstar on behalf of Steffes Financial. The payments by TD Ameritrade to Morningstar on behalf of Steffes Financial will not exceed an annual economic benefit of \$8,000. TD Ameritrade provides the Additional Services to Steffes Financial in its sole discretion and at its own expense, and Steffes Financial does not pay any fees to TD Ameritrade for the Additional Services. Steffes Financial and TD Ameritrade have entered into a separate agreement ("Additional Services Addendum") to govern the terms of the provision of the Additional Services.

Steffes Financial's receipt of Additional Services raises potential conflicts of interest. In providing Additional Services to Steffes Financial, TD Ameritrade most likely considers

the amount and profitability to TD Ameritrade of the assets in and the trades placed for the client accounts of Steffes Financial that are maintained with TD Ameritrade. TD Ameritrade has the right to terminate the Additional Services Addendum with Steffes Financial, in its sole discretion, provided certain conditions are met. Consequently, in order to continue to obtain the Additional Services from TD Ameritrade, Steffes Financial may have an incentive to recommend to its clients that the assets under management by Steffes Financial be held in custody with TD Ameritrade and to place transactions for client accounts with TD Ameritrade. Steffes Financial's receipt of Additional Services does not diminish the duty of Steffes Financial to act in the best interest of its clients, including to seek best execution of trades for its client accounts.

#### **B. Compensation to Non –Advisory Personnel for Client Referrals**

Steffes Financial has agreements with solicitors to whom it will pay between 25% to 50% of the fees paid by clients referred to it by solicitors. When applicable, the client will be notified in writing of such agreements.

### **Item 15: Custody**

Custody, as it applies to investment advisors, has been defined by regulators as having access or control over client funds and/or securities. In other words, custody is not limited to physically holding client funds and securities. If an investment advisor has the ability to access or control client funds or securities, the investment advisor is deemed to have custody and must ensure proper procedures are implemented.

Steffes Financial is deemed to have custody of client funds and securities whenever Steffes Financial is given the authority to have fees deducted directly from client accounts. However, this is the only form of custody that Steffes Financial will ever maintain. It should be noted that authorization to trade in client accounts is not deemed by regulators to be custody.

For accounts in which Steffes Financial is deemed to have custody, our firm has established procedures to ensure all client funds and securities are held at a qualified custodian in a separate account for each client under that client's name. Clients or an independent representative of the client will direct, in writing, the establishment of all accounts and therefore are aware of the qualified custodian's name, address and the manner in which the funds or securities are maintained. Finally, account statements are delivered directly from the qualified custodian to each client, or the client's independent representative, at least quarterly. Clients should carefully review those statements and are urged to compare the statements against reports received from Steffes Financial. When clients have questions about their account statements, they should contact Steffes Financial or the qualified custodian preparing the statement.

## **Item 16: Investment Discretion**

For those client accounts where Steffes Financial provides ongoing supervision, Steffes Financial maintains a limited power of authority over client accounts with respect to securities to be bought and sold and amount of securities to be bought and sold. All buying and selling of securities is explained to clients in detail before an advisory relationship has commenced.

## **Item 17: Voting Client Securities (Proxy Voting)**

Steffes Financial will not ask for, nor accept voting authority for client securities. Clients will receive proxies directly from the issuer of the security or the custodian and are responsible for voting proxies. Clients should direct all proxy questions to the issuer of the security. The account custodian will be instructed to send proxies to the account holder's primary address.

## **Item 18: Financial Information**

### **A. Balance Sheet**

Steffes Financial does not require nor solicit prepayment of more than \$1,200 in fees per client, six months or more in advance and therefore does not need to include a balance sheet with this brochure.

### **B. Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments to Clients**

Neither Steffes Financial nor its management have any financial conditions that are likely to reasonably impair our ability to meet contractual commitments to clients.

### **C. Bankruptcy Petitions in Previous Ten Years**

Neither Steffes Financial nor its management have been the subject of a bankruptcy petition in the last ten years.