

# Disclosure Brochure

February 19, 2013

## Total Financial Advisors, LLC

an SEC Registered Investment Adviser

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This brochure provides information about the qualifications and business practices of Total Financial Advisors, LLC. (hereinafter "*Total Financial*"). If you have any questions about the contents of this brochure, please contact Total Financial's Chief Compliance Officer at (516) 579-2700. 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 Total Financial Advisors, LLC. Is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Total Financial Advisors, LLC. is an SEC Registered Investment Adviser. Registration does not imply any level of skill or training.

# Total Financial Advisors, LLC Disclosure Brochure

## **Item 2. Material Changes**

This Item discusses only the material changes that have occurred since Total Financial's last filing update, dated March 13, 2012. Total Financial does not have any material changes to disclose in this Item.

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**Supervised Person Brochure Supplements are available upon request.**

# Total Financial Advisors, LLC Disclosure Brochure

## Item 4. Advisory Business

Total Financial Advisors, LLC. (hereinafter referred to as "*Total Financial*") is an investment adviser providing financial planning, consulting, and investment management services. Prior to engaging Total Financial to provide any of the foregoing investment advisory services, the client is required to enter into one or more written agreements with Total Financial, setting forth the terms and conditions under which Total Financial renders its services (collectively the "*Agreement*").

Total Financial has been in business since May, 2007. Joseph Piangozza and Susan Piangozza are the principal owners of Total Financial.

Total Financial has \$143,416,197 of assets under management as of December 31, 2012. \$140,227,419 of these assets is managed on a discretionary basis and \$3,188,778 managed on a non-discretionary basis.

This Disclosure Brochure describes the business of Total Financial. Certain sections will also describe the activities of Supervised Persons. Supervised Persons are any of Total Financial's officers, partners, directors (or other persons occupying a similar status or performing similar functions), or employees, or any other person who provides investment advice on Total Financial's behalf and is subject to Total Financial's supervision or control.

### Financial Planning and Consulting Services

Total Financial may provide its clients with a broad range of financial planning and consulting services (which may include non-investment related matters). These services are tailored to the needs of the client, and include (but are not limited to) retirement planning, financial planning, distribution planning, estate planning, investment planning, and advising on assets not managed by Total Financial.

In performing its services, Total Financial is not required to verify any information received from the client or from the client's other professionals (e.g., the client's attorney, accountant, etc.) and Total Financial is expressly authorized to rely on such information. Total Financial may recommend the services of itself, its Supervised Persons in their individual capacities as registered representatives of a broker-dealer, and/or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists if Total Financial recommends its own services. The client is under no obligation to act upon any of the recommendations made by Total Financial under a financial planning or consulting engagement, or to engage the services of any such recommended professional, including Total Financial itself. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any of Total Financial's recommendations. Clients are advised that it remains their responsibility to promptly notify Total Financial if there is ever any change in their personal or financial situation or investment objectives for the purpose of reviewing, evaluating, or revising Total Financial's previous recommendations and/or services.

### Investment Management Services

Total Financial typically manages clients' assets on a discretionary basis, but may also provide non-discretionary management in special circumstances including, but not limited, to group retirement plans.

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Total Financial primarily allocates clients' investment management assets among Independent Managers (as defined below), mutual funds, and exchange-traded funds ("*ETFs*"), and/or annuity sub-accounts in accordance with the investment objectives of the client.

For assets not managed by Independent Managers, Total Financial provides two levels of service for non-workplace plans and for non-annuity accounts: Private Client Services ("*PCS*") and Efficient Allocation Portfolios ("*EAP*"). Total Financial's PCS services are utilized for accounts with numerous or a diversified holding, while an EAP is typically reserved for more concentrated portfolios that hold substantially fewer positions and assets.

Total Financial also renders non-discretionary investment management services to clients relative to: (1) variable life/annuity insurance products that they may own; (2) their individual employer-sponsored retirement plans through a consulting arrangement; (3) 529 plans; (4) group retirement plans; and/or (5) other financial and/or investment matters, services and/or programs as mutually agreed upon. In so doing, Total Financial either directs or recommends the allocation of client assets among the various investment options that are available. Client assets may be maintained at a specific insurance company or custodian designated by the product sponsor, the employer's retirement plan or program, or by the client, as the result of a prior investment purchase.

Total Financial tailors its advisory services to the individual needs of each client. Total Financial consults with clients initially and requests ongoing information to develop and maintain an Investment Policy Statement that identifies clients' risk tolerance, investment objectives, and strategic approach to investing; however, for discretionary accounts, Total Financial may reasonably deviate from the initial or current investment strategy and/or asset allocation, based upon economic or market conditions and/or other considerations.

Clients are advised to promptly notify Total Financial if there are changes in their financial situation, personal circumstance or investment objectives or if they wish to impose reasonable restrictions upon Total Financial's management services.

## **Use of Independent Managers**

As mentioned above, Total Financial may recommend that clients authorize the active discretionary management of all or a portion of their assets by Total Financial and/or among certain independent investment managers ("*Independent Managers*"), based upon the stated investment objectives of the client. The terms and conditions under which the client engages the Independent Managers are set forth in a separate written agreement between Total Financial and/or the client and the designated Independent Managers. Total Financial renders services to the client relative to the discretionary selection of Independent Managers. Total Financial also monitors and reviews the account performance in the context of the client's stated investment objectives and risk tolerance. Total Financial receives an annual advisory fee, which is based upon a percentage of the market value of the assets being managed by the designated Independent Managers.

When selecting an Independent Manager, Total Financial reviews information about the Independent Manager, such as material supplied by the Independent Manager or independent third parties. These materials provide a description of the Independent Manager's investment strategies, past performance and risk adjusted returns to the extent available. When recommending an Independent Manager, Total

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Financial considers the client's stated investment objectives and risk tolerance. Total Financial also considers the Independent Manager's approach to asset management, and whether it is an appropriate fit for the client; however, for discretionary accounts, Total Financial is granted the authority to deviate from the initial or current investment strategy and/or asset allocation.

The investment management fees charged by the designated Independent Managers, together with the fees charged by the corresponding designated broker-dealer/custodian of the client's assets, may be exclusive of, and in addition to, Total Financial's investment advisory fee as set forth in the Agreement. As discussed above, the client may incur fees in addition to those charged by Total Financial, the designated Independent Managers, and corresponding broker-dealer and custodian.

In addition to Total Financial's written disclosure brochure, the client also receives the written disclosure brochure of the designated Independent Managers. Certain Independent Managers may impose more restrictive account requirements and varying billing practices than Total Financial. In such instances, Total Financial may alter its corresponding account requirements and/or billing practices to accommodate those of the Independent Managers.

Total Financial may also utilize certain turnkey asset management programs ("*TAMPs*"). The TAMP may provide Total Financial with back-office services as well as access to Independent Managers. The services provided by the TAMP may result in an additional fee to the client.

If Total Financial refers a client to an Independent Manager where Total Financial's compensation is included in the advisory fee charged by such Independent Manager and the client engages the Independent Manager, Total Financial shall be compensated for its services by receipt of a fee to be paid directly by the Independent Manager to Total Financial in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, as amended, and any corresponding state securities laws, rules, regulations, or requirements. Any such fee is paid solely from the Independent Manager's investment management fee, and does not result in any additional charge to the client. However, TAMP advisory solutions are generally more expensive to the client than non-TAMP advisory solutions.

## **Use of Variable Annuities**

In addition to the above advisory services, Total Financial may also be engaged by clients that seek discretionary advice about a variable annuity. Once engaged, Total Financial will allocate the annuity assets among the various investment sub-accounts that comprise the variable annuity product. For such engagements, the client must accept that Total Financial's investment allocation choices are limited to the investment sub-accounts provided by the annuity product. Should the client elect a living benefit rider (such as a guaranteed living withdrawal benefit rider) the sub-account investment allocation choices will typically be severely restricted. The advisory fee for such service is based upon the market value of the assets within the annuity as follows:

.50% (50 basis points) paid quarterly in arrears

## **Use of Retirement Programs ("Plans")**

Total Financial may also be engaged by Trustees of a workplace retirement plan to seek advice about a group retirement plan (i.e. a 401(k) Profit Sharing Plan). Total Financial currently utilizes Principal Financial

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("Principal") as the qualified group plan of choice. Assets held by the participants of a qualified group plan are self-directed by the participants and the Trustees are given advice on a non-discretionary basis.

## **Additions and Withdrawals to Accounts**

Clients may make additions to, and withdrawals from, their account at any time; subject to Total Financial's right to terminate any and all agreements. Clients may withdraw account assets on notice to Total Financial, subject to the usual and customary securities settlement procedures. However, Total Financial designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives.

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## Item 5. Fees and Compensation

Total Financial offers its services on a fee basis, which may include hourly and/or fixed fees, as well as fees based upon assets under management. Alternatively, certain of Total Financial's Supervised Persons may offer securities brokerage services, investments, and insurance products under a commission arrangement. As discussed below, Total Financial does not charge both an advisory fee and commission on the same asset.

### Financial Planning and Consulting Fees

Total Financial may charge a fixed fee and/or hourly fee for financial planning and consulting services. These fees are negotiable, but generally range from \$1,000 to \$10,000 on a fixed fee basis, or \$250 on an hourly rate basis, depending upon the level and scope of the services and the professional rendering the financial planning and/or the consulting services. In some circumstances (i.e. where clients engage Total Financial for ongoing general consulting), Total Financial may charge an asset-based fee of up to 1% of the assets covered by the financial planning/consulting services; or an hourly fee; a quarterly fee; or a flat fee. Ongoing consulting fees are charged quarterly in advance, as stated in the Agreement. If the client engages Total Financial for additional investment advisory services, Total Financial may offset all or a portion of its fees for those services based upon the amount paid for recent financial planning and/or consulting services. Total Financial's financial planning and consulting fees are separate from any investment management fees and other charges, including but not limited to, commissions Supervised Persons may have received for non-advisory business.

Prior to engaging Total Financial to provide financial planning and/or consulting services, the client is required to enter into a written agreement with Total Financial setting forth the terms and conditions of the engagement. Total Financial typically requires one-half of the financial planning/consulting fee (estimated hourly or fixed) payable upon entering the written agreement. The balance is generally due upon delivery of the financial plan, Investment Policy Statement, hypothetical illustration(s) containing recommendations, or upon the completion of the agreed upon services.

### Investment Management Fee

Total Financial provides investment management services for an annual fee, based upon a percentage of the market value of the assets being managed by Total Financial. Total Financial's annual fee is exclusive of, and in addition to brokerage commissions, transaction fees, 12b-1 fees on mutual funds and other related costs and expenses which are incurred by the client. Total Financial does not, however, receive any portion of these commissions, fees, and costs. Total Financial's annual fee is prorated and charged quarterly, in arrears, based upon the market value of the assets being managed by Total Financial on the last day of the previous quarter. The annual fee varies between 0.50% and 1.95%, depending upon the market value of the assets under management and the type of investment management services to be rendered.

Total Financial shall negotiate and charge a management fee based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client relationship, account retention, bono activities, service



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requirements, etc.). The management fee is stipulated in the Agreement.

## **Fees Charged by Financial Institutions**

As further discussed in response to Item 12 (below), Total Financial generally recommends that clients utilize the brokerage and clearing services of Pershing, LLC through Pershing Investment Manager Services ("*Pershing*") and/or Genworth Financial Trust Company ("*Genworth*") for investment management accounts. As further disclosed below, Total Financial may also utilize Genworth, through its registered investment adviser Genworth Financial Wealth Management, Inc. ("*GFWM*"), as an Independent Manager and/or TAMP for client assets. In addition, Principal may be utilized, to provide custodial and/or Third Party Administrator ("*TPA*") Services for group retirement plans (subject to the limitations imposed by Principal in its agreement with the client); and the Vanguard annuity program may be used for advised annuity investments.

Total Financial may only implement its investment management recommendations after the client has arranged for and furnished Total Financial with all information and authorization regarding accounts with appropriate Financial Institutions. Financial institutions include, but are not limited to, Pershing, Genworth, Principal, Lockwood Financial, LLC ("*Lockwood*"), Vanguard and any other broker-dealer, custodian, and or Financial Institution recommended by Total Financial or directed by the client. Other Financial Institutions may include trust companies, banks, mutual funds (all institutions referenced in this paragraph are herein collectively referred to as "*Financial Institutions*").

Clients may incur certain charges imposed by the Financial Institutions and other third parties such as fees charged by Independent Managers (as defined below), by a TAMP, custodial fees, charges imposed directly by a mutual fund, ETF or annuity in the account, which is disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), 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. Additionally, for assets outside of any wrap fee programs, clients may incur brokerage commissions and transaction fees. Such charges, fees and commissions are exclusive of and in addition to Total Financial's fee.

Total Financial's Agreement and the separate agreement with a Financial Institution generally authorize Total Financial, Independent Managers, and/or a TAMP to debit the client's account for the amount of Total Financial's fee and to directly remit that management fee to Total Financial or the Independent Managers. Any Financial Institution recommended by Total Financial have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account, including the amount of management fees paid directly to Total Financial.

The client may authorize Total Financial to debit a different non-qualified account for the amount of Total Financial's fee, in accordance with the Agreement. Said authorization must be in writing and is typically included in the Agreement.

## **Fees for Management During Partial Quarters of Service**

For the initial period of investment management services, the fees shall be calculated on a pro rata basis.

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The Agreement between Total Financial and the client will continue in effect until terminated by either party pursuant to the terms of the Agreement. Total Financial's fees are prorated through the date of termination and any remaining balance is charged or refunded to the client, as appropriate.

Additions may be in cash or securities, provided that Total Financial reserves the right to liquidate any transferred securities or decline to accept particular securities into a client's account. Total Financial may consult with its clients about the options and ramifications of transferring securities. However, clients are advised that when transferred securities are liquidated, they are subject to brokerage charges, transaction fees, fees assessed at the mutual fund level (i.e. contingent deferred sales charge) and have income tax ramifications.

If assets are deposited into or withdrawn from an existing account after the inception of a quarter, the fee payable with respect to such assets will not be adjusted or prorated based on the number of days remaining in the quarter. Upon notification that an advisory account is to be closed, and/or the assets are being transferred by the client, then Total Financial will charge the agreed upon advisory fee on a pro-rata basis.

## **Commissions or Sales Charges for Recommendations of Securities**

Clients can engage certain persons associated with Total Financial (but not Total Financial) to render securities brokerage services under a commission arrangement. Clients are under no obligation to engage such persons and may choose brokers or agents not affiliated with Total Financial. Under this arrangement, clients may implement securities transactions through certain of Total Financial's Supervised Persons in their respective individual capacities as registered representatives of United Planners Financial Services of America ("*United Planners*"), an SEC registered broker-dealer and member of FINRA. Commissions are charged by United Planners to effect securities transactions. A portion of the commissions may be paid by United Planners to Supervised Persons. Prior to effecting any transactions, clients are required to enter into a new account agreement with United Planners. The brokerage commissions charged by United Planners may be higher or lower than those charged by other broker-dealers. In addition, certain of Total Financial's Supervised Persons may also receive ongoing 12b-1 fees on mutual fund purchases from the mutual fund company; and/or trail commissions from the annuity company during the period that the client maintains the investment, annuity, or insurance product.

A conflict of interest exists to the extent that Total Financial recommends the purchase of securities where Total Financial's Supervised Persons receive commissions or other additional compensation as a result of Total Financial's recommendations. Recommendations made by such Supervised Persons must be in the best interest of the client.

Total Financial does not receive commissions on investment advisory accounts. However, if a commission-based client later becomes an advisory client, Total Financial may offer a fee forgiveness program. The fee forgiveness program is not applicable to 12b-1 fees, Class C share commissions paid, insurance commissions, annuity trail commissions and/or any other trail commission payment that may have been received by a Supervised Person. Fee forgiveness is subject to the discretion of Total Financial and is not a part of the Agreement.

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## **Item 6. Performance-Based Fees and Side-by-Side Management**

Total Financial does not provide any services for performance-based fees. Performance-based fees are those fees based on a share of capital gains on or capital appreciation of the assets of a client.

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## Item 7. Types of Clients

Total Financial provides its services to individuals, pension plans, defined benefit plans, profit sharing plans and/or other qualified plans, trusts, estates, corporations and business entities. Total Financial reserves the right to offer its services to any person or entity as allowed by law.

### **Minimum Account Size**

Total Financial has not historically imposed a minimum portfolio size or minimum fee. For new clients, Total Financial generally imposes a minimum portfolio size of \$250,000. Total Financial, in its sole discretion, may accept clients with smaller portfolios based upon certain criteria including referral source, anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, referral source, and pro-bono activities. Total Financial shall only accept clients with less than the minimum portfolio size if, in the sole opinion of Total Financial, the smaller portfolio size will not cause a substantial increase of investment risk beyond the client's identified risk tolerance. Total Financial may aggregate the portfolios of family members to meet the minimum portfolio size, or waive the minimum portfolio size on a case by case basis.

Additionally, certain Independent Managers may impose more restrictive account requirements and varying billing practices than Total Financial. In such instances, Total Financial may alter its corresponding account requirements and/or billing practices to accommodate those of the Independent Managers.

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

### Methods of Analysis and Investment Strategies

Total Financial constructs client portfolios based on the principles of goal-oriented planning and diversification, in accordance with clients' goals and risk tolerance. Diversification is sought at the security (e.g., multiple stocks and bonds), asset class (e.g., large-cap stocks, small-cap stocks, international stocks, government bonds, high-yield bonds, international bonds, etc.), and asset allocation approach (strategic, tactical, absolute return) levels.

Client assets are managed either directly by Total Financial or through the use of Independent Managers. When accounts are managed directly by the Adviser, it is through our proprietary PCS or EAP programs; or by using an annuity account; or through the use of a group retirement plan platform provided by a third party.

For asset allocation purposes, Total Financial may use multiple Independent Managers, each having a unique risk exposure and investment strategy. The Independent Managers may implement the portfolios in ways that hedge against each other (i.e. one may include long-only fixed income positions, while another may contain inverse fixed-income exposure), while at other times Independent Managers may converge when they believe a strong opportunity exists in a given asset class or sector. In both circumstances, Total Financial's process leads it to utilize Independent Managers with asset allocation approaches that it believes are appropriate for the client and which possess the tools and capabilities to execute its strategy. For some clients, one Independent Manager may be sufficient to satisfy the asset allocation needs of the portfolio, while adhering to the client's risk tolerance.

For accounts managed directly by the Adviser, Total Financial will generally implement its strategies with mutual funds or exchange-traded funds ("*ETFs*") that meet its criteria at the time of implementation. Certain clients may opt to maintain specific legacy positions as part of their account. Such positions will be monitored and reviewed by Total Financial and reported to the client on the quarterly statement.

### *Independent Managers*

When utilizing Independent Managers, Total Financial starts with distinct approaches to asset allocation. Within each approach, Total Financial identifies third-party strategists that it believes have the capability to execute a given strategy and bring value to the portfolio construction process. When performing due diligence on an Independent Manager and a target strategy, Total Financial considers many factors, including the historical risk/return characteristics of the strategy, the longevity of the strategy, and market conditions during its lifespan; the degree of tracking error and manager flexibility built into the strategy, and whether such flexibility is desired; the asset base and financial stability of the Independent Manager, the longevity of the management team with the Independent Manager, the assets implemented in the target strategy; the size of the management team working on the strategy; the research capabilities of the strategist firm; the strategist's process for researching and selecting securities for implementation; and how the target strategy compares in different capital market environments, as compared to other strategists with

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similar asset allocation objectives.

After determining which Independent Managers are to be used within each approach to asset allocation, Total Financial decides the weight to apply to each of the Independent Managers. The target weight varies depending upon market conditions, operational constraints, and the risk/return profile of the client, among other considerations.

## *PCS and EAP Accounts*

PCS and EAP accounts are managed directly by Total Financial, based on the risk/return profile of the client that is determined when the account is established; and thereafter. Trades within PCS and EAP accounts are executed by Total Financial in accounts held at Pershing, LLC (Pershing Advisor Solutions). Total Financial develops a set of model portfolios that provide a starting point for portfolio construction; but actual client portfolios are typically unique to the client and may be customized based on the specific needs, goals, objectives and the stated risk tolerance of the client.

The target asset allocation for each model portfolio shows how assets will be divided between each asset class (equities, fixed income, cash), and between many sub-asset classes, (large-cap stocks, small-cap stocks, investment grade bonds, international bonds, etc.). For PCS and EAP accounts, Total Financial follows a strategic asset allocation approach for most of the assets included in each client's account (i.e., the "core" of the portfolio). For each profile, the target asset allocation is expected to show only incremental change over time, while some tactical adjustment is allowed. Target allocations may be modified in the implementation of a client's portfolio for several reasons, including reasonable restrictions requested by the client, capital markets outlook and related tactical considerations, tax considerations, and the inclusion of alternative asset classes (when appropriate).

Core positions are designed to provide investors with the appropriate exposure to the target asset class. This type of approach is frequently referred to as a "relative return" strategy. Core positions will generally consist of index, index-plus, or mutual funds and ETFs with a high correlation to its asset class. Core positions generally have a large number of holdings to effectively diversify away firm-specific risk while maintaining exposure to market risk. The more liquid and efficiently priced the asset class, the larger the emphasis placed on maintaining passive positions.

Satellite positions are designed to provide investors with either a hedge to market risk (risk mitigation), or may have the potential to provide additional alpha (risk-adjusted excess return). Total Financial may seek investments that are temporarily mispriced, or may locate investment managers (including mutual fund managers) that have a track record of identifying such investment opportunities. Satellite positions will primarily be implemented via actively managed mutual funds. Total Financial does not limit itself to one specific discipline or investment approach when choosing a satellite fund (e.g. sector rotation, technical analysis, deep-discount, earnings growth, etc.), but seeks to find a management team with a track record of consistently applying their investment discipline with successful historic results.

In circumstances where the assets are part of a qualified group retirement plan (such as with Principal), Total Financial will recommend a menu of available securities to the plan trustees, based on its due diligence. Qualified group retirement plans are typically advised on a non-discretionary basis. Recommendations made

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by Total Financial to the plan trustees of a group retirement plan are made on a non-discretionary basis. Total Financial provides services to the plan participants that are educational in nature.

## **Risk of Loss**

### *Mutual Funds, ETFs, and Annuities*

An investment in a mutual fund, ETF, or annuity sub-account involves risk, including the loss of principal. When evaluating the risk associated with a particular mutual fund, ETF and/or annuity sub-account, an investor should refer to the applicable prospectus.

### *Market Risks*

The profitability of a significant portion of Total Financial's recommendations may depend to a great extent upon correctly assessing the future course of price movements of stocks and bonds. There can be no assurance that Total Financial will be able to accurately predict those price movements.

### *Use of Independent Managers*

Total Financial may recommend the use of Independent Managers for certain clients. Total Financial will continue to do ongoing due diligence of such managers. Total Financial's recommendations rely, to a great extent, on the Independent Managers ability to successfully implement their investment strategy. In addition, Total Financial does not have the ability to supervise the Independent Managers on a day-to-day basis, if at all. The use of Independent Managers does not ensure a successful investment outcome. The past performance of an Investment Manager, or the strategy implemented by the Investment Manager, is not a guarantee of future results.

### *Management Through Similarly Managed Accounts*

For EAP clients, Total Financial generally manages portfolios by allocating portfolio assets among various securities on a discretionary basis using one or more of its proprietary investment strategies (collectively referred to as "*Investment Strategy*"). In so doing, Total Financial buys, sells, exchanges and/or transfers securities based upon the Investment Strategy.

Total Financial's management using the Investment Strategy, complies with the requirements of Rule 3a-4 of the Investment Company Act of 1940, as amended. Rule 3a-4 provides similarly managed accounts, such as the Investment Strategy, with a safe harbor from the definition of an investment company.

Securities in the Investment Strategy are usually exchanged and/or transferred without regard to a client's individual tax ramifications. Total Financial is primarily focused on total return; tax sensitivity is secondary unless specified as a requirement in the client's Investment Policy Statement and/or in the Agreement. Certain investment opportunities that become available to Total Financial's clients may be limited to clients that have a primary focus on tax minimization. As further discussed in response to Item 12 (below), Total Financial allocates investment opportunities among its clients in a fair and equitable basis.

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## *Risks Related to “funds of funds” structure*

Total Financial may utilize one or more “fund of funds” as part of an investment strategy. Using a “fund of funds” will generally present higher costs than investing directly in ETFs or other investment company shares. In addition to the fund’s direct fees and expenses, the client indirectly bears responsibility for fees and expenses charged by the underlying ETFs and investment companies in which the fund invests. The “funds of funds” structure may affect the timing, character, and amount of distributions paid to client, which may result in increased income taxes being owed by the client.

## *Additional Risks Related to ETFs*

Total Financial may implement an investment strategy by using, in whole or in part, Exchange Traded Funds (“ETFs”). The market value of an ETF’s shares may differ from its net asset value (“NAV”). This difference in price may be due to the fact that the supply and demand in the market for ETF shares at any point in time is not always identical to the supply and demand in the market for the underlying basket of securities. Accordingly, there may be times when an ETF trades at a premium (creating the risk that the fund pays more than NAV for an ETF when making a purchase) or discount (creating the risk that the fund’s NAV is reduced for undervalued ETFs it holds, and that the fund receives less than NAV when selling an ETF).

## *General Risk of Loss*

Investing in securities involves the risk of loss of principal. Clients should be prepared to bear such loss.



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## **Item 9. Disciplinary Information**

Total Financial is required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of its management. Total Financial does not have any required disclosures to this Item.

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## Item 10. Other Financial Industry Activities and Affiliations

Total Financial is required to disclose any relationship or arrangement that is material to its advisory business or to its clients. Total Financial has described such relationships and arrangements below.

### Registered Representatives of Broker Dealer

Certain of Total Financial's Supervised Persons are Registered Representatives of United Planners. Total Financial and/or its principal(s) are minority owners of United Planners, with less than one percent (1%) ownership. Total Financial does not receive any portion of the fees charged by United Planners or commissions received by its Registered Representatives; or any portion of the brokerage commissions paid to its Supervised Persons. Total Financial and/or its Supervised Persons may receive distributions relative to its respective ownership interest in United Planners. A conflict of interest exists to the extent that Total Financial recommends the purchase of securities through the broker-dealer where Total Financial's Supervised Persons receive commissions or other additional compensation. Total Financial does not charge an investment advisory fee on an asset when a commission is being received by its Supervised Persons. However, clients may elect to change from a commission based relationship with a Registered Representative of United Planners to an advisory relationship with Total Financial.

### Receipt of Insurance Commissions

Total Financial is under common control with Total Financial Systems, Inc. ("TFS"), a duly licensed insurance agency. Certain of Total Financial's Supervised Persons, in their individual capacities, are also licensed insurance agents with TFS and with various insurance companies; and in such capacity, may recommend, on a fully-disclosed commission basis, the purchase of certain insurance products. While Total Financial does not sell insurance products itself, Total Financial does permit its Supervised Persons, in their individual capacities as licensed insurance agents, to sell insurance products to its investment advisory clients. A conflict of interest exists to the extent that Total Financial recommends the purchase of insurance products where Total Financial's Supervised Persons and/or Total Financial Systems Inc. receives insurance commissions or other additional compensation. Total Financial does not charge an investment advisory fee when a commission is being received by its Supervised Persons. However, clients may elect to change from a commission based relationship with a Registered Representative of United Planners to an advisory relationship with Total Financial.

### Fees from Independent Managers

As discussed above, Total Financial recommends that certain clients authorize the active discretionary management of a portion of their assets by and/or among certain Independent Managers. In particular, when Total Financial recommends the use of the GFWM TAMP, the percentages set forth in the fee schedule are inclusive of both GFWM's program fee and Total Financial's fee. The portion of the total management fee that

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is allocated to Total Financial may vary, depending on the investment option(s) chosen. If there is a change in the investment option(s) chosen for all or a portion of the assets, the percentage of the total management fee allocated to Total Financial may change. The selection of a particular strategy and/or strategists within GFWM may impact the net fee retained by Total Financial.

## **Additional Business Relationships with Independent Managers**

Total Financial is also part of Genworth's Premier Consultant Program ("*Program*"), through which advisers are able to receive reimbursement for certain marketing and and practice development expenses and are invited to attend periodic Genworth sponsored meetings and educational conferences. The total allowance Total Financial receives from Genworth will vary depending on the amount of assets under management that Total Financial's places on GFWM's TAMP. As such, Total Financial has an incentive to utilize GFWM's TAMP. Before placing any client assets with GFWM's TAMP, Total Financial evaluates the service offering of GFWM, including the Independent Managers available through GFWM's TAMP. A conflict of interest exists to the extent that Total Financial recommends the purchase of GFWM's TAMP and receives Program allowances; and Total Financial's Supervised Persons are invited to attend periodic Genworth sponsored meetings and educational conferences.

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## Item 11. Code of Ethics

Total Financial and persons associated with Total Financial ("*Associated Persons*") are permitted to buy or sell securities that it also recommends to clients, consistent with Total Financial's policies and procedures.

Total Financial has adopted a Code of Ethics that sets forth the standards of conduct expected of its associated persons and requires compliance with applicable securities laws ("*Code of Ethics*"). In accordance with Section 204A of the Investment Advisers Act of 1940 (the "*Advisers Act*"), its Code of Ethics contains written policies reasonably designed to prevent the unlawful use of material non-public information by Total Financial or any of its associated persons.

Total Financial and its Supervised Persons and "Access Persons" may buy or sell securities that are also recommended to clients. This practice may create a situation where the Supervised Persons and/or Access Persons of Total Financial are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. Practices such as "scalping" (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if Total Financial did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, "front-running" (i.e., personal trades executed prior to those of Total Financial's clients) and other potentially abusive practices.

Total Financial has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of Total Financial's Access Persons. Total Financial's securities transaction policy requires that an Access Person of Total Financial must provide the Chief Compliance Officer or his/her designee with a written report of the current securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person's current securities holdings at least once each twelve (12) month period thereafter on a date Total Financial selects; provided, however that at any time that Total Financial has only one Access Person, he or she shall not be required to submit any securities report described above.

Total Financial and/or Supervised Persons and Access Persons of Total Financial may buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where the Supervised Persons and/or Access Persons of Total Financial are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. As indicated above Total Financial has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of Total Financial's Access Persons.

Clients and prospective clients may contact Total Financial to request a copy of its Code of Ethics.

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## Item 12. Brokerage & Custody Services

As discussed herein, Total Financial generally recommends that clients utilize the brokerage and clearing services of Pershing and/or Genworth. Pension Services and qualified plan services are also offered through Principal Financial ("*Principal*"). Total Financial currently recommends that clients seeking a variable annuity utilize the Vanguard Annuity Program; and clients seeking a 529 Plan utilize the Vanguard 529 Plan (The New York 529 College Savings Plan).

Factors which Total Financial considers in recommending Pershing, Genworth, Principal or any other custodian or broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research capability, services provided, expertise, product availability, and/or access to TAMP and TAMP strategies. Pershing, Genworth and Principal enable Total Financial to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions, transaction fees, and/or internal fees charged by Pershing, Genworth and/or Principal, may be higher or lower than those charged by other Financial Institutions. Principal may include a TPA service fee in the mutual fund management fee in addition to all other fees.

The commissions paid by Total Financial's clients comply with Total Financial's duty to obtain "best execution." Clients may pay commissions that are higher than another qualified Financial Institution might charge to effect the same transaction, where Total Financial determines that the commissions are reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a Financial Institution's services, including among others, the value of research provided, execution capability, commission rates, and responsiveness. Total Financial seeks competitive rates, but may not necessarily obtain the lowest possible commission rates for client transactions.

Total Financial periodically and systematically reviews its policies and procedures regarding its recommendation of Financial Institutions in light of its duty to obtain best execution.

The client may direct Total Financial in writing to use a particular Financial Institution to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that Financial Institution, and Total Financial will not seek better execution services or prices from other Financial Institutions or be able to "batch" client transactions for execution through other Financial Institutions with orders for other accounts managed by Total Financial (as described below). As a result, the client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices on transactions for the account than would otherwise be the case. Subject to its duty of best execution, Total Financial may decline a client's request to direct brokerage if, in Total Financial's sole discretion, such directed brokerage arrangements would result in additional operational difficulties or violate restrictions imposed by other broker-dealers (as further discussed below).

Transactions for each client generally will be effected independently, unless Total Financial decides to purchase or sell the same securities for several clients at approximately the same time. Total Financial may (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among Total Financial's clients differences in prices and

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commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among Total Financial's clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that Total Financial determines to aggregate client orders for the purchase or sale of securities, including securities in which Total Financial's Supervised Persons may invest, Total Financial shall generally do so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. Total Financial shall not receive any additional compensation or remuneration as a result of the aggregation. In the event that Total Financial determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a de minimis allocation in one or more accounts, Total Financial may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker-dealers in return for investment research products and/or services, which assist Total Financial in its investment decision-making process. Such research generally will be used to service all of Total Financial's clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client's portfolio. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest because Total Financial does not have to pay for the products or services provided.

## **Commissions or Sales Charges for Recommendations of Securities**

As discussed above, certain Supervised Persons in their respective individual capacities, are registered representatives of United Planners. These Supervised Persons are subject to FINRA Rule 3040 which restricts registered representatives from conducting securities transactions away from their broker-dealer unless United Planners provides consent. Therefore, clients are advised that certain Supervised Persons may be restricted to conducting securities transactions through United Planners unless they first secure consent from United Planners to execute securities transactions through a different broker-dealer. Absent such consent or separation from United Planners, these Supervised Persons are prohibited from executing securities transactions through any broker-dealer other than United Planners under United Planners supervisory policies. Total Financial is cognizant of its duty to obtain best execution as described herein, and has implemented policies and procedures reasonably designed in such pursuit.

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## **Software and Support Provided by Financial Institutions**

Total Financial may receive from Pershing and/or Genworth, without cost to Total Financial, computer software and related systems support, which allow Total Financial to better monitor client accounts maintained at Pershing and/or Genworth. Total Financial may receive the software and related support without cost because Total Financial renders investment management services to clients who maintain assets at Pershing and/or Genworth. The software and related systems support may benefit Total Financial, but not its clients directly. Other support may include the preparation of statements or on-line statement access. In fulfilling its duties to its clients, Total Financial endeavors at all times to put the interests of its clients first. Clients should be aware, however, that Total Financial's receipt of economic benefits from a broker-dealer and/or Financial Institution creates a conflict of interest, since these benefits may influence Total Financial's choice of one broker-dealer and/or Financial Institution over another.

Total Financial may receive the following benefits from Pershing and/or Genworth through their respective investment adviser divisions: Monetary support for portfolio management technology and other consulting needs; receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk that exclusively services its registered investment adviser participants; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and access to an electronic communication network for client order entry, reporting, and account information.

Additionally, Total Financial may receive the following benefits from United Planners: monetary support for the maintenance of an affiliation, including a forgivable loan; research capabilities; technology and client reporting and related services; compliance assistance, educational conferences and meetings conducted and supported by United Planners.

Total Financial may also receive other economic benefits in the form of monetary support for client appreciation dinners, client seminars, educational conferences and meetings and related materials sponsored by various Financial Institutions, including but not limited to broker-dealers, mutual funds, TAMP providers, insurance and annuity companies and other vendors. Total Financial may also receive monetary support for technological, marketing and advertising needs from these entities. Clients are advised that a conflict of interest exists to the extent that Total Financial recommends products from these Financial Institutions or other vendors. However, the client is under no obligation to purchase these products, and Total Financial does not receive any other form of compensation from the Financial Institution and/or vendor for these events other than as set forth herein.

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## Item 13. Review of Accounts

For those clients to whom Total Financial provides investment management services, Total Financial monitors those portfolios as part of an ongoing process. For those clients to whom Total Financial provides financial planning and/or consulting services, client reviews are conducted on an "as needed" or "as requested" basis unless the Agreement specifies otherwise.

Internal reviews are conducted by members of Total Financial's Investment Policy Committee on at least a quarterly basis. Clients are entitled to an in-person portfolio review or telephone conference with a member of Total Financial's Investment Policy Committee upon request, but Total Financial may limit this to a semi-annual basis during the normal hours of business operation at Total Financial. All investment advisory clients are encouraged to discuss their needs, goals, and life's circumstances with Total Financial and to keep Total Financial informed of any changes thereto. Total Financial shall contact ongoing investment advisory clients at least annually to request that the clients schedule an appointment and/or conference call to review their portfolio, as necessary.

Unless otherwise agreed upon, clients are provided with transaction confirmation notices and regular summary account statements ("reports") directly from the broker-dealer, custodian and/or Financial Institution. The delivery of an account report may be either electronic or via the delivery of a paper report. Should there be a discrepancy between a report issued by Total Financial and a report issued by a Financial Institution, the client is hereby advised that the report issued by the Financial Institution supersedes that of Total Financial. Those clients to whom Total Financial provides investment advisory services will also receive a report from Total Financial that may include relevant account and/or market-related information such as an inventory of account holdings and account performance. Principal electronically reports client assets on a quarterly basis, directly to the plan trustees and participants.

The Financial Institutions recommended by Total Financial send a physical or electronic statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to Total Financial. In addition, as discussed in Item 13, Total Financial also sends periodic supplemental reports to clients. However, Total Financial's reports do not reflect disbursements for advisory fees. Clients are advised to review the reports from the applicable Financial Institution to monitor their advisory fees. Total Financial does not send supplemental reports to plan participants in workplace retirement plans. In this instance, plan participants shall receive a statement from the respective custodian.

Those clients to whom Total Financial provides financial planning and/or consulting services will receive reports from Total Financial summarizing its analysis and conclusions as requested by the client or otherwise agreed to in writing by Total Financial. The client is responsible for implementation of the recommendations.



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

Total Financial is required to disclose any relationship or arrangement where it receives an economic benefit from a third party (non-client) for providing advisory services. In addition, Total Financial is required to disclose any direct or indirect compensation that it provides for client referrals.

Total Financial may receive economic benefits from non-clients for providing advice or other advisory services to clients. This type of relationship poses a conflict of interest and any such relationship is disclosed herein.

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## **Item 15. Custody**

Total Financial's Agreement and/or the separate agreement with any Financial Institution may authorize Total Financial through such Financial Institution to debit the client's account for the amount of Total Financial's fee and to directly remit that management fee to Total Financial in accordance with applicable custody rules.

Clients should carefully review the statements sent directly by the Financial Institutions and compare them to those received from Total Financial. In the event of a discrepancy, the statement from the Financial Institution prevails.

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## Item 16. Investment Discretion

Total Financial may be given the authority to exercise discretion on behalf of clients. Total Financial is considered to exercise investment discretion over a client's account if it can effect transactions for the client without first having to seek the client's consent. Total Financial is given this authority through a power-of-attorney included in the agreement between Total Financial and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). Total Financial takes discretion over the following activities:

- The securities to be purchased or sold;
- The quantity of securities to be purchased or sold;
- When transactions are made;
- The Independent Managers to be hired or fired;
- Changes to asset allocation for a discretionary account.

Clients desiring to communicate with Total Financial should be aware that (1) trades are not accepted via voice-mail, and (2) e-mail communications concerning portfolio allocating, trading, and/or strategic changes or alterations must be verified with Total Financial. (3) Wire orders are not accepted via voice-mail or e-mail. (4) New third-party wire orders will be rejected by Total Financial.

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## **Item 17. Voting Client Securities**

Total Financial is required to disclose if it accepts authority to vote client securities. Total Financial does not vote client securities on behalf of its clients.

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## **Item 18. Financial Information**

Total Financial does not require or solicit the prepayment of more than \$1,200 in fees, six months or more in advance. In addition, Total Financial is required to disclose any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. Total Financial has no disclosures pursuant to this Item.

**Total Financial Advisors, LLC**  
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