

# USAA Financial Planning Services Insurance Agency, Inc.

9800 Fredericksburg Road  
San Antonio, TX 78288-0227

(800) 640-7526

usaa.com

April 1, 2013

**This Brochure provides information about the qualifications and business practices of USAA Financial Planning Services Insurance Agency (FPS). If you have any questions about the contents of this Brochure, please contact us at 800-640-7526. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority.**

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

FPS is registered as an investment adviser with the SEC pursuant to the Investment Advisers Act of 1940, as amended (Advisers Act). Recipients of this Brochure should be aware that registration with the SEC does not in any way constitute an endorsement by the SEC of an investment adviser's skill or expertise. Further, registration does not imply or guarantee that a registered adviser has achieved a certain level of skill, competency, sophistication, expertise or training in providing advisory service to its clients.

## **Item 2 – Material Changes**

This brochure (Brochure) dated April 1, 2013 is an amendment filing to our last annual update filed March 31, 2012. FPS is required to identify and discuss material changes made to this Brochure since its last annual updated filed on March 31, 2012. Accordingly, you should be aware of the following material changes:

FPS no longer charges fees to clients for a “Comprehensive Financial Plan” and for “Consultation Service.”

Under Items 5, 10, 11, 12, and 14 of the Brochure, we added disclosure concerning our conflict of interest in recommending products and services of certain affiliates. The new disclosure describes the conflict and how we address the conflict.

We will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business’s fiscal year. We may further provide other ongoing disclosure information about material changes as necessary. Our Brochure may be requested by calling 800-640-7526.

### Item 3 -Table of Contents

Item 2 – Material Changes.....	ii
Item 3 -Table of Contents .....	iii
Item 4 – Advisory Business .....	1
Item 5 – Fees and Compensation .....	2
Item 6 – Performance-Based Fees and Side-By-Side Management .....	3
Item 7 – Types of Clients.....	3
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss.....	3
Item 9 – Disciplinary Information .....	4
Item 10 – Other Financial Industry Activities and Affiliations .....	4
Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	5
Item 12 – Brokerage Practices .....	6
Item 13 – Review of Accounts.....	8
Item 14 – <i>Client</i> Referrals and Other Compensation.....	8
Item 15 – Custody.....	9
Item 16 – Investment Discretion .....	9
Item 17 – Voting <i>Client</i> Securities.....	9
Item 18 – Financial Information.....	9

## Item 4 – Advisory Business

FPS provides various levels of financial planning services designed specifically for members of United Services Automobile Association (USAA), a diversified financial services organization which wholly owns FPS. FPS has been a registered investment adviser since 1996. FPS provides financial planning services for, among others, USAA members, persons eligible to be USAA members, and persons enrolled in the USAA Wealth Management program. The USAA Wealth Management program offers personalized comprehensive solutions regarding asset accumulation, wealth protection and distribution, and transfer of wealth and which is available to certain USAA members with a specified amount of qualifying assets, generally no lower than \$250,000.

FPS provides a wide range of advice about financial topics including estate planning, taxes, retirement, insurance and annuity needs, bank deposit products, risk management, debt management, survivorship, resource management and investment advice.

The most comprehensive level of service FPS provides to individuals is a Comprehensive Financial Plan, which involves developing a financial framework from questions provided to the individual, then providing a personalized analysis which provides a detailed assessment of the client's unique financial situation that may include areas such as:

- Net worth calculation;
- Cash flow statement and projection;
- Recommendations for appropriate investment, asset allocation, insurance, and debt arrangement;
- Detailed analysis for retirement, education, estate planning, and other life events;
- Graphic illustrations showing how current and future resources may be managed to meet your financial goals; and
- Personal telephone and e-mail counseling and assistance in implementing your plan.

Enrollment for the plan begins upon completion of the enrollment form.

FPS also offers a financial planning service referred to as Consultation Services. Consultation Services may be provided to individuals who request specific advice on a narrow range of financial topics.

FPS traditionally charged individuals fees for providing a Comprehensive Financial Plan and for Consultation Services. FPS no longer charges clients for these two services.

FPS offers complimentary financial Consultation Services in certain programs for members of USAA. These programs include but are not limited to complimentary Consultation Services to: (1) members of a deceased parent, spouse, child or sibling to understand the probate process, Social Security options and pension issues, and to reprioritize financial

goals; (2) beneficiaries of life insurance policies and annuities issued by USAA Life Insurance Company (LIC); (3) persons enrolled in USAA Wealth Management; and (4) members enrolled in other programs, including Trust Services of USAA Federal Savings Bank (FSB), concentrating on estate planning basics, retirement strategies and coordination of military benefits with other benefits.

FPS provides the following investment advisory services to clients: (i) educating clients about the principles of sound investing; (ii) using asset allocation models to assist clients in assembling appropriate investment portfolios or in selecting professional money managers; (iii) providing advice regarding mutual fund investing and the types of mutual funds clients may wish to consider, including, should the client request, recommendations of selected funds; (iv) discussing the use of professional money managers by clients with an investable asset base in excess of \$25,000; and (v) assisting clients in periodically reviewing their investment portfolios.

While investment advice described above will be a component of FPS services, FPS will provide a broad range of financial planning advice, including, among other things, estate planning, tax strategies, retirement matters, risk management, debt management, survivorship and resource management.

FPS “Financial Planners” may recommend some allocation of client’s investable assets into certain mutual funds, including mutual funds advised by USAA Asset Management Company (AMCO), a registered investment adviser, and a wrap fee program sponsored by USAA Investment Management Company (IMCO), a dually-registered broker-dealer and investment adviser. Both AMCO and IMCO are under common control with FPS. FPS is compensated by IMCO for opening and servicing accounts with IMCO and/or IMCO products and services, including AMCO mutual funds and IMCO’s wrap program. FPS Financial Planners may also recommend an annuity or certain types of insurance coverage. FPS employees may discuss your Comprehensive Financial Plan or Consultation Services with you and may recommend that clients, when appropriate, consider an annuity or certain insurance coverage and may recommend a particular annuity or insurance product offered by USAA and its affiliates. FPS may receive compensation from those affiliates for such activity.

## **Item 5 – Fees and Compensation**

As noted in Item 4 above, the most comprehensive level of service FPS will provide an individual is its Comprehensive Financial Plan. Enrollment for the plan begins upon completion of the enrollment form.

FPS also offers a financial planning service referred to as Consultation Services.

FPS does not charge a fee for providing a Comprehensive Financial Plan or for Consultation Services.

If an FPS client seeks a recommendation for a broker, and FPS determines that it is appropriate to do so, FPS may recommend the client use USAA Financial Advisors, Inc. (FAI) to facilitate opening an account with IMCO. FAI is a wholly owned subsidiary of FPS and may receive compensation from IMCO for such activity. If the client chooses FAI to execute securities transactions, the client could incur brokerage and other transactions costs. Please see Item 12 entitled *Brokerage Practices* for additional information. Any client has the option to purchase investment products that FPS recommends through other brokers or agents not affiliated with FPS, and may incur brokerage or other transaction costs charged by such unaffiliated broker or agent.

Although FPS does not charge clients a fee for providing a Comprehensive Financial Plan and for Consultation Services, FPS receives compensation from IMCO for opening and servicing accounts with IMCO and/or AMCO products and services, including IMCO's wrap program, and AMCO mutual funds. FPS has a potential conflict of interest with its clients in receiving compensation from IMCO because FPS has a financial incentive to recommend investment products and services of IMCO and AMCO based on the compensation received. FPS addresses this conflict of interest by disclosing it to clients and by providing advisory and planning services in a manner consistent with FPS's fiduciary duty to clients.

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

FPS does not charge any performance-based fees.

#### **Item 7 – Types of Clients**

FPS provides portfolio management services to individuals who may be USAA members, trusts, estates, 401(k) plans and IRAs of individuals and their family members. FPS provides services without regard to account size.

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

FPS provides advice about investments in equity and fixed-income securities as well as mutual funds and advisory wrap fee programs. All investments in securities include a risk of loss of your principal (invested amount) and any profits that have not been realized (the securities were not sold to "lock in" the profit). As you know, stock markets and bond markets fluctuate substantially over time. In addition, as recent global and domestic economic events have indicated, performance of any investment is not guaranteed. As a result, there is a risk of loss of your account assets that is out of our control. We cannot guarantee any level of performance or that you will not experience a loss as a result of the advice we may provide.

Clients receive investment advice based on asset allocation models developed by IMCO according to prototype client profiles. In formulating such asset allocation models, IMCO considers a number of factors, including the ramifications of different investor profile characteristics and an assessment of current economic and market views expressed by economists, analysts and bank and securities firms. In applying the asset allocation guidelines, FPS's Financial Planners will, under the supervision of FPS (i) determine a client's investor profile; and (ii) modify the allocation to reflect individual characteristics or circumstances not described in the generalized client profile. Each investor has their own financial situations, investment time horizon, funding strategy, investment experience, tax status, risk tolerances, goals, and other life circumstances that dictate the appropriate allocation for that profile. Additional information regarding the asset allocation models developed by IMCO is available in IMCO's Form ADV, a copy of which is available upon request.

### **Item 9 – Disciplinary Information**

FPS is required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of FPS or the integrity of FPS's management. FPS has no information applicable to this Item.

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

FPS is a subsidiary of USAA, which is a diversified financial services organization that provides many different financial products to its members, including, among other things, property and casualty insurance, mutual fund and brokerage products, life insurance and banking services.

FPS is a registered investment adviser and insurance agency, and therefore provides advice about investments and insurance. In addition to being licensed as investment adviser representatives of FPS, FPS employees also may be licensed as broker-dealer representatives of FPS' wholly-owned subsidiary, FAI, which is a registered broker-dealer that acts as an introducing broker.

FPS is affiliated with IMCO, a registered investment adviser and broker-dealer. Among other services, IMCO provides advisory services to individuals and other entities through its wrap fee program, and broker-dealer services. FPS is affiliated with AMCO, a registered investment adviser that provides, among other services, advisory services to the USAA Mutual Funds Trust, the trust for the USAA mutual funds. FPS is also affiliated with the USAA Mutual Funds Trust, a registered investment company advised by AMCO, which issues multiple USAA mutual fund series and is distributed by IMCO. Although FPS does not charge clients a fee for providing a Comprehensive Financial Plan and for Consultation Services, FPS receives compensation from IMCO for opening and servicing accounts with IMCO and/or AMCO products and services, including IMCO's wrap program, and AMCO mutual funds. FPS has a conflict of interest with its clients in receiving compensation from

IMCO because FPS has a financial incentive to recommend investment products and services of IMCO and AMCO based on the compensation received, rather than a client's needs. FPS addresses this conflict of interest by disclosing it to clients and by providing advisory and planning services in a manner consistent with FPS's fiduciary duty to clients.

FPS employees and employees of its affiliates may provide material assistance in identifying clients appropriate for services of the relevant USAA affiliate, including FPS. These USAA affiliated entities include but are not necessarily limited to:

Catastrophe Reinsurance Company (insurance company or agency)  
Enterprise Indemnity Captive Insurance Company, Inc. (insurance company or agency)  
Garrison Property and Casualty Insurance Company (insurance company or agency)  
USAA Casualty Insurance Company (insurance company or agency)  
USAA County Mutual Insurance Corporation (insurance company or agency)  
USAA General Indemnity Company (insurance company or agency)  
USAA Insurance Agency, Inc. (insurance company or agency)  
USAA Limited (insurance company or agency)  
USAA Texas Lloyd's Company (insurance company or agency)  
USAA Life Insurance Company (insurance company or agency)  
USAA Life Insurance Company of New York (insurance company or agency)  
USAA Direct Life Insurance Company (insurance company or agency)  
USAA Federal Savings Bank (banking and thrift institution)  
USAA Investment Management Company (other investment adviser and broker-dealer)  
USAA Financial Advisors, Inc. (broker-dealer)

Because FPS is part of the above group of USAA companies that collectively offer property and casualty insurance, life and health insurance, banking products and services, and investment products and services, FPS employees may recommend products and services offered by USAA or an affiliated company, including banking products, insurance products, advisory services or mutual funds offered or issued by affiliated companies and may be compensated for those activities by the relevant affiliated company. If a client chooses to purchase products recommended by FPS employees that are issued or offered by an affiliated company, the affiliated company could earn fees or other forms of compensation as a result of a client's purchase of such products or services. FPS has a conflict of interest with its clients in receiving compensation from affiliated companies because FPS has a financial incentive to recommend investment products and services of IMCO and AMCO based on the compensation received. FPS addresses this conflict of interest by disclosing it to clients and by providing advisory and planning services in a manner consistent with FPS's fiduciary duty to clients.



## **Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

FPS has adopted an Investment Code of Ethics (Code). The Code incorporates policy statements regarding insider trading and political contributions, among others. The purpose of the Code is to establish minimum standards of ethical conduct for personnel, guard against conflicts of interest, such as those described above, and ensure compliance with the federal securities laws. All personnel must certify that they receive and understand the Code.

Under the Code, among other things, all personnel must agree to place the interests of FPS's customers above their own personal interests, to refrain, in the conduct of their personal affairs, from taking any inappropriate advantage of their roles and responsibilities with FPS, and to comply with the federal securities laws. Accordingly, the Code, among other things, requires such personnel to periodically report their securities transactions and holdings to FPS's Office of Compliance and Ethics. The Code also requires all personnel to report all brokerage accounts in which they have a beneficial interest, and we receive duplicate trade confirmations for each such account. In addition, the Code requires certain personnel to hold securities purchased for a minimum period of time. For example, the Code requires all Access Persons that hold shares in any USAA Funds to hold the shares for at least 30 days. Finally, the Code is overseen by the Investment Code of Ethics Committee and enforced by the Office of Compliance and Ethics.

A complete copy of the Code is available upon request by calling 877-314-2255.

FPS may recommend that its clients affect securities transactions through FAI (its wholly-owned broker-dealer subsidiary), or clients may choose to use FAI without any recommendation from FPS. FAI uses FPS's affiliate, IMCO, to clear client transactions. The affiliation between FPS, FAI, AMCO, and IMCO is fully disclosed to clients. IMCO may receive commissions or other fees for effecting client transactions. In addition, FPS may recommend that clients purchase mutual funds advised by AMCO and distributed by IMCO or open a wrap account sponsored and advised by IMCO. AMCO will earn management fees on mutual fund investments. IMCO will earn transfer agency fees on mutual fund investments and will earn management fees and possibly transaction fees in connection with wrap program accounts. FPS has a conflict of interest with its clients in receiving compensation from FAI, IMCO, and AMCO because FPS has a financial incentive to recommend investment products and/or services of FAI, IMCO, and AMCO based on the compensation received. FPS addresses this conflict of interest by disclosing it to clients and by providing advisory and planning services in a manner consistent with FPS's fiduciary duty to clients.

## Item 12 – Brokerage Practices

FPS does not select brokers for clients. If a client requests a recommendation for a broker dealer, FPS assists the client in determining whether his needs require a full service or discount broker, but does not analyze the reasonableness of commissions for clients who require the services of a broker. FPS is not in a position to evaluate whether a client might pay a commission higher than that obtainable from other brokers to the broker who the client ultimately selects.

If an FPS client seeks a recommendation for a broker, and FPS determines that it is appropriate to do so, FPS may recommend the client use FAI as an introducing broker (in which case IMCO will act as clearing broker). FPS may be compensated by FAI for that activity. FPS may determine it is appropriate to recommend FAI only after assessing each client's individual needs and preferences for certain types of brokerage services, including but not limited to the client's desire for simplicity and consolidation of account management, for consistency of a technology platform and for a certain level and quality of services provided. If the client chooses FAI to execute securities transactions, IMCO, as clearing broker to FAI, could earn commissions or other fees for executing such transactions.

In addition, FPS may recommend certain IMCO products and services to its clients, including mutual funds advised by AMCO and distributed by IMCO, and IMCO's wrap program, USAA Managed Portfolios – UMP™ (UMP) program. IMCO compensates FPS for distribution and servicing that FPS provides in connection with IMCO's UMP program. IMCO also compensates FAI in connection with distribution and servicing of brokerage accounts opened at IMCO and distribution services FAI provides in connection with the USAA mutual funds advised by AMCO.

When IMCO acts as a broker-dealer for the purposes of distribution and servicing of the USAA mutual funds, and/or acts as an adviser with respect to IMCO's wrap program, or offers brokerage execution, settlement, transaction processing, and custodial services for FPS and FAI (its affiliates), IMCO could earn commissions, other fees, and management fees for its services. Similarly, AMCO may earn management fees for services provided to USAA mutual funds.

FPS does not direct clients to a particular broker in return for products and services and does not use research provided by brokers to service particular client accounts. FPS will not receive any fees or other direct economic benefit from the investment advisers or securities brokerage firms that it recommends other than the economic benefits that may be received as a result of making referrals to affiliated companies.

If appropriate for the client, FPS may recommend participation in the UMP program offered by IMCO, mutual funds advised by AMCO, or trust services offered by the FSB. Otherwise, FPS generally does not recommend investment advisers to clients.

FPS has a conflict of interest with its clients in receiving compensation from FAI, IMCO, and/or AMCO because FPS has a financial incentive to recommend investment products and/or services of FAI, IMCO, and/or AMCO based on the compensation received. FPS addresses this conflict of interest by disclosing it to clients and by providing advisory and planning services in a manner consistent with FPS's fiduciary duty to clients.

### **Item 13 – Review of Accounts**

FPS does not perform account reviews because FPS does not have ongoing responsibility for customer accounts and does not custody such accounts.

Financial plans for clients, prior to their completion, are reviewed periodically by FPS managers in the Wealth Management program. Although the exact review process depends upon the nature and terms of the specific client engagement, the following description of the review process generally applies: the triggering factor for a review is (1) the provision of a Plan or report to the client; or (2) changes in a clients' financial circumstances that are communicated to the Financial Planner, provided that the client is enrolled in a product that provides ongoing advice as specifically agreed to in writing with FPS and the client.

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

FPS's Financial Planners and Wealth Managers are all Certified Financial Planner™ professionals. Financial Planners are FPS employees and provide advice to USAA members and their families. Wealth Managers are also FPS employees and provide financial planning services to USAA members and their families. Advice and financial planning are provided through these FPS employees, who are both investment adviser representatives of FPS and registered representatives of FPS's wholly owned subsidiary, FAI.

FPS employees may refer USAA members to other USAA affiliates, including IMCO, and IMCO compensates FPS for these referrals. Such referrals are treated in the same way that cash solicitation services would be treated and therefore the affiliation between FPS and IMCO is fully disclosed to USAA members who are referred by FPS to IMCO for advisory services.

FPS does not directly pay any individual person for referrals of USAA members to FPS affiliates or recommendations to USAA members with respect to investment products offered by FPS affiliates. Specifically, FPS's Member Service Representatives (MSRs) and Financial Planners are not compensated directly for accounts opened with or serviced by FPS affiliates, including, but not limited to, accounts opened with IMCO. However, as part

of the overall performance evaluation of certain employees of FPS, all of whom are salaried, referrals of USAA members to FPS affiliates is taken into account and can affect those employees' salary and/or company bonus. Specifically, FPS employees who are in the Wealth Management Division and participate in the incentive compensation program, the number of accounts opened by IMCO as a result of the FPS employee's referral (Referred Assets), and the total assets in the Referred Assets are taken into account when determining that individual's total incentive compensation. FPS has a conflict of interest with its clients in receiving compensation from IMCO because FPS has a financial incentive to recommend investment products and/or services of IMCO based on the compensation received. FPS addresses this conflict of interest by disclosing it to clients and by providing advisory and planning services in a manner consistent with FPS's fiduciary duty to clients.

### **Item 15 – Custody**

FPS does not manage any client's specific investment portfolio and does not maintain custody of any client's funds.

### **Item 16 – Investment Discretion**

FPS does not manage or exercise discretionary authority over the securities held in any client account.

### **Item 17 – Voting *Client* Securities**

FPS does not have or exercise voting authority over the securities held in any client account, and thus has not adopted proxy voting policies and procedures. It is the client's responsibility to vote proxies for any individual security or mutual fund owned by the client.

### **Item 18 – Financial Information**

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