

# USAA Financial Planning Services Insurance Agency, Inc.

9800 Fredericksburg Road  
San Antonio, TX 78288-0227

(800) 640-7526

usaa.com

April 1, 2014

**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, 2014 is an amendment filing to our last annual update filed April 1, 2013. FPS is required to identify and discuss material changes made to this Brochure since its last annual updated filed on April 1, 2013. Accordingly, you should be aware of the following material changes:

Item 4 has been revised to describe the collaborative process through which FPS creates a personalized written report addressing financial planning topics related to a client's situation (a Financial Plan). Item 4 has also been revised to describe the licensing of the FPS representatives. Planners may also possess a Certified Financial Planner™ (CFP™) designation. Finally, Item 4 has been updated to explain the ways in which a client may implement their Financial Plan and to further clarify the relationship between clients and FPS in comparison to the relationship clients may have with USAA and its affiliates.

Item 7 has been revised to clarify that FPS provides Financial Plans to, among others, natural persons who are USAA members and natural persons eligible to be USAA members.

Item 8 has been revised to further explain the resources utilized by FPS to create a client's Financial Plan. In addition to financial planning software and market research, FPS may use a Monte Carlo simulation or similar methodology to demonstrate how variances in rates of return may impact a particular client's investment results. The disclosure in Item 8 also explains that although the model asset allocations used by FPS may be altered from time to time, FPS is not obligated to update a client's Financial Plan upon a change in a model allocation or other underlying assumptions. As further explained in Item 13, FPS does not provide ongoing services and therefore does not engage in periodic reviews of the Financial Plans it prepares for clients.

Item 13 has been revised to clarify that a client's Financial Plan is not reviewed on a periodic basis because the services provided by FPS are not provided on an ongoing basis.

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

## **Item 4 – Advisory Business**

### ***Corporate Structure***

FPS is a wholly owned subsidiary of United Services Automobile Association (USAA). USAA is a diversified financial services organization that provides a variety of 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 providing certain financial planning services to, among others, individuals who are USAA members and individuals eligible to be USAA members.

FPS has been a registered investment adviser since 1996.

### ***Description of Advisory Services***

At the request of a USAA member or an individual eligible to be a USAA member, FPS may provide financial planning services through a designated financial planning specialist (Planner) who will utilize financial planning software approved by FPS. A Planner will work with you to understand and analyze your current financial situation and then provide you with a personalized written report addressing financial planning topics related to your situation— a Financial Plan. Your Financial Plan will be generated by FPS and created by a Planner who is registered with FPS as an investment adviser representative. Your FPS-produced Financial Plan may be delivered to you in a broker-dealer capacity by a registered representative of USAA Financial Advisors, Inc. (FAI), a registered broker-dealer and affiliate of FPS.

The FPS financial planning program offers personalized comprehensive solutions regarding asset accumulation, wealth protection and distribution, and transfer of wealth. The FPS financial planning program is available to certain USAA members and individuals eligible to be a USAA member with a specified amount of qualifying assets, generally no lower than \$250,000.

### ***Developing Your Financial Plan***

Members desiring a Financial Plan complete a detailed discovery process to help identify and prioritize their financial needs and goals. During the discovery process, a Planner will gather information about your financial resources and needs, may request copies of documents to help assess your financial situation, and may ask you to complete a detailed financial planning questionnaire. FPS relies on your diligence

in providing complete and clear information during the discovery process, as your Financial Plan is based on the factual information you provide.

A Financial Plan is tailored to the individual situation of each member. Depending on the information you provide and your personal financial situation, a Financial Plan will analyze and provide recommendations on at least four financial planning topics, such as:

- a. Net worth calculation
- b. Cash flow statement
- c. Retirement planning
- d. Investment and asset allocation review
- e. Insurance needs analysis
- f. Planning for long-term goals and other life events
- g. Estate planning review

A Financial Plan is a discrete, one-time report that applies to your financial situation at the time the Financial Plan is delivered and does not provide ongoing advice. As such, it is important that you monitor your personal financial situation and current events, such as changes in tax laws and financial markets, and update your Financial Plan as needed. FPS acts as an investment adviser when providing a Financial Plan to a member. The advisory relationship between you and FPS terminates upon the delivery of your Financial Plan to you.

### ***Implementing Your Financial Plan***

The recommendations provided in your Financial Plan may be implemented through certain USAA affiliates, or other financial services providers. We cannot guarantee future financial results or the achievement of your financial goals through implementation of the recommendations in your Financial Plan. Before implementing any recommendations, you should consider the ramifications of purchasing investment products or services, and you may want to seek further advice from your legal and tax advisors.

You have sole responsibility for determining whether, when and how to implement any recommendations in your Financial Plan, whether through a USAA affiliate or otherwise, and you have no obligation to implement any part of your Financial Plan through USAA affiliates. If you choose to implement your Financial Plan through USAA affiliates, unless you expressly engage USAA Investment Management Company (IMCO) in writing to act as an investment adviser in one or more advisory accounts, the individual implementing your Plan will be a registered representative

of FAI and will act solely in their capacity as a broker-dealer, and not as an investment adviser.

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

A Financial Plan may recommend some allocation of your investment 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, including IMCO's wrap fee program. A Financial Plan may also recommend that you, 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.

FPS acts as an investment adviser in providing Financial Plans to members, but this does not affect any other relationship you may have with USAA or its affiliates. Accordingly, the nature of your existing USAA accounts or any USAA accounts that you may open in the future, the rights and obligations relating to these accounts, and the terms and conditions of any USAA affiliate account agreement in effect now or in the future are not altered by the provision of a Financial Plan by FPS.

By providing you with a Financial Plan, USAA, its affiliates, and your Planner are not acting as a fiduciary for purposes of the Employee Retirement Income Security Act of 1974, as amended (ERISA) or section 4975 of the Internal Revenue Service Code (the Code) with respect to any Retirement Plan (as defined herein) in either the planning, execution or provision of your Financial Plan. Unless otherwise provided in a written agreement between you and FPS, USAA, its affiliates and their respective employees, any agents and representatives of FPS, including your Planner: (a) do not have discretionary authority or control with respect to the assets in any Retirement Plan included in your Financial Plan, (b) will not be deemed an "investment manager" (as defined by ERISA) with respect to such assets, and (c) will not provide "investment advice" (as defined by ERISA and/or section 4975 of the Code, as amended) with respect to such assets. For the purposes of this paragraph, a "Retirement Plan" means an employee benefit plan as defined in Section 3(3) of ERISA, a plan as defined in Section 4975(e)(1) of the Code, such as an individual

retirement account (IRA) or a plan or other arrangement subject to fiduciary and prohibited transaction requirements or substantially similar state, local or foreign law.

### ***Qualification of Planners***

Most FPS Planners are registered as investment adviser and broker-dealer representatives, and have a college degree and/or financial planning industry experience. All Planners possess a CFP™ designation. Holding a CFP designation indicates the Planner has completed certain financial planning courses and engages in continuing education. However, the holding of such designation does not change the nature of the Planner's, or USAA affiliates' obligation with respect to the advisory or brokerage products and services that may be offered to you.

### ***Customized Advisory Services and Client Restrictions***

A Financial Plan is based upon information provided to FPS by a USAA member or individual eligible to be a USAA member and includes recommendations tailored to the unique needs of the individual.

A Financial Plan does not provide individual securities recommendations.

## **Item 5 – Fees and Compensation**

FPS does not currently charge fees for providing a Financial Plan. However, FPS may charge fees in the future. If FPS does begin charging a fee, then Planners will inform individuals seeking a Financial Plan about such a fee change.

Although no fees are charged for providing a Financial Plan, there may be fees associated with implementing your Financial Plan through a brokerage account or advisory account, or a combination of brokerage and advisory accounts, whether with a USAA affiliate or a third-party unaffiliated financial services provider. If you wish to implement your Financial Plan through a brokerage or advisory account, and FPS determines it is appropriate to do so, FPS may recommend that you use FAI to facilitate opening an account with IMCO. FAI is a wholly owned subsidiary of FPS and may receive compensation from IMCO for opening and servicing accounts with IMCO products and services. If you choose FAI to execute securities transactions, you could incur brokerage and other transaction costs. Please see Item 12 entitled "Brokerage Practices" for additional information. You have the option to implement recommendations in your Financial Plan through other brokers or agents not

affiliated with FPS, and may incur brokerage or other transaction costs charged by such unaffiliated broker or agent.

FPS faces a potential conflict of interest by receiving compensation from IMCO because FPS may have a financial incentive to recommend investment products and services of IMCO and AMCO based on the compensation received, rather than your needs. FPS addresses this conflict of interest by disclosing it to you and providing advisory and planning services in a manner consistent with FPS's fiduciary duty to you.

### **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 Financial Plans to, among others, natural persons who are USAA members and natural persons eligible to be USAA members.

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

Your Financial Plan is based on general financial planning information and information provided by you during the discovery process. Information obtained during the discovery process typically reflects your current assets, liabilities, income, expenses and financial goals. In preparing your Financial Plan we rely solely on information provided by you, your agents or designated representatives, without independent verification. As such, it is your responsibility to ensure the information you provide is accurate and complete.

We obtain the following types of general financial planning information from various sources: information about the economy, market data, risk measurement analysis, and other information which may affect the economy. Financial planning software used by FPS also contains financial planning methodologies. Your Financial Plan may include a Monte Carlo simulation or use a methodology based on a Monte Carlo simulation. Monte Carlo simulations are used to show how variances in rates of return each year can affect investment results. Results using Monte Carlo simulations indicate the likelihood that an event may occur as well as the likelihood it may not occur.

Your Financial Plan may contain analyses that include asset allocations. Our asset allocation models are 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. IMCO asset allocation models may change from time to time at IMCO's sole discretion. Neither FPS nor your Planner is required to provide you with an updated Financial Plan based upon changes to these or other underlying assumptions. Changes in asset allocations or other underlying assumptions may affect your Financial Plan results.

In applying the asset allocation guidelines, Planners will, under the supervision of FPS, (a) determine your investor profile; and (b) modify the asset allocation to reflect your individual characteristics or circumstances not described in the generalized client profile. In determining the appropriate asset allocation for you, we will consider your personal financial situation, investment time horizon, funding strategies, investment experience, tax status, risk tolerances, goals and other life circumstances. 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.

FPS may change the software or methodologies used in creating your Financial Plan. Your Financial Plan will provide details on the software and methodologies used.

Investment losses may occur as a result of advice provided in a Financial Plan. We cannot guarantee any level of performance from a recommended strategy or investment, nor can we guarantee that you will not experience a loss in your account(s) as a result of the advice we may provide.

### **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 (Trust). FPS is also affiliated with the Trust, which is a registered investment company advised by AMCO and which issues multiple USAA mutual fund series. The Trust is distributed by IMCO.

FPS is affiliated with USAA Transfer Agency Company (d/b/a USAA Shareholder Account Services) (SAS), a transfer agent, which provides certain services to the Trust, including shareholder servicing and transfer agency services.

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, individuals registered with FPS, including Planners, 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. Although FPS does not charge fees for Financial Plans, if you choose to purchase products recommended by individuals registered with FPS that are issued or offered by an affiliated company, the affiliated company could earn fees or other forms of compensation as a result of your purchase of such products or services. FPS also may receive compensation from IMCO for opening and servicing certain accounts with IMCO. FPS has a potential conflict of interest by receiving compensation from affiliated companies because FPS may have a financial incentive to recommend investment products and services of those affiliates, including but not limited to IMCO, based on the compensation received, rather than your needs. FPS addresses this conflict of interest by disclosing it to you and providing advisory and planning services in a manner consistent with FPS's fiduciary duty to you.

#### **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 FPS personnel must certify that they have read, received, understand, and agree to comply with 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 Enterprise Compliance. 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 mutual funds to hold the shares for at least 30 days, except for money market and short term bond

funds. Finally, the Code is overseen by the Investment Code of Ethics Committee and enforced by the Office of Enterprise Compliance.

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

FPS may recommend that you effect securities transactions through FAI (its wholly-owned broker-dealer subsidiary), or you may choose to use FAI without any recommendation from FPS. FAI uses FPS's affiliate, IMCO, to clear your transactions. The affiliation between FPS, FAI, AMCO, and IMCO is fully disclosed to you. IMCO may receive commissions or other fees for effecting your transactions. In addition, FPS may recommend that you 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. Another FPS affiliate, USAA Transfer Agent Company (dba USAA Shareholder Account Services) will earn transfer agency fees on mutual fund investments and IMCO will earn management fees and possibly transaction fees in connection with wrap program accounts. FPS faces a potential conflict of interest by receiving compensation from certain affiliates because FPS may have a financial incentive to recommend investment products and/or services of those affiliates based on the compensation received, rather than your needs. FPS addresses this conflict of interest by disclosing it to you and by providing advisory and planning services in a manner consistent with FPS's fiduciary duty to you.

## **Item 12 – Brokerage Practices**

FPS does not select brokers for you. If you request a recommendation for a broker-dealer, FPS assists you in determining whether your needs require a full service or discount broker, but does not analyze the reasonableness of commissions for you when requiring the services of a broker. FPS is not in a position to evaluate whether you may pay a commission higher than that obtainable from other brokers to the broker who you ultimately select.

If you seek a recommendation for a broker, and FPS determines that it is appropriate to do so, FPS may recommend you 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 your individual needs and preferences for certain types of brokerage services, including but not limited to your 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 you choose 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 you, 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 UMP 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 and SAS may earn management fees or transfer agency 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 and serviced by SAS, or trust services offered by the FSB. Otherwise, FPS generally does not recommend investment advisers to you.

FPS has a potential conflict of interest by receiving compensation from certain affiliates because FPS may have a financial incentive to recommend investment products and/or services of those affiliates based on the compensation received, rather than your needs. FPS addresses this conflict of interest by disclosing it to you and by providing advisory and planning services in a manner consistent with FPS's fiduciary duty to you.

### **Item 13 – Review of Accounts**

Financial Plans provided by FPS are not an ongoing service and do not include a periodic review of your financial situation. FPS does not perform account reviews

because FPS does not have ongoing responsibility for member accounts and does not custody such accounts.

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

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 employees do not receive any direct compensation for referrals of USAA members to FPS affiliates, for accounts opened with or serviced by FPS affiliates (including but not limited to accounts opened with IMCO) or for making recommendations to USAA members with respect to investment products offered by FPS affiliates. However, as part of the overall performance evaluation of certain FPS employees, all of whom are salaried, referrals of USAA members to FPS affiliates may be taken into account and can affect those employees' salary and/or company bonus. For example, in determining certain FPS employees' total incentive compensation, the number of accounts opened by IMCO as a result of an FPS employee's referral (Referred Assets) and the total assets in the Referred Assets may be taken into account when determining that individual's total incentive compensation. FPS has a potential conflict of interest by receiving compensation from IMCO because FPS may have a financial incentive to recommend investment products and/or services of IMCO based on the compensation received, rather than by your needs. FPS addresses this conflict of interest by disclosing it to you and by providing advisory and planning services in a manner consistent with FPS's fiduciary duty to you.

#### **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.