

# TRANSAMERICA FINANCIAL ADVISORS, INC.

Transamerica Financial Group Division

FORM ADV PART 2A

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**APRIL 17, 2014**

*This Brochure provides information about the qualifications and business practices of the Transamerica Financial Group (“TFG”) Division of Transamerica Financial Advisors (“TFA”). If you have any questions about the contents of this Brochure, please contact us at (800) 322-7161 extension 123-6535. 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 TFA is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

TFA is a Registered Investment Adviser. Registration as an investment adviser does not imply any level of skill or training. The oral and written communications we provide to you, including this Brochure, is information you may wish to use in considering whether to hire or retain TFA as your advisor.

## ITEM 2 – MATERIAL CHANGES

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This is an amendment filing relating to the Part 2A of Form ADV for the Transamerica Financial Group Division of TFA. This filing is made as of *April 17, 2014*.

Since our last Part 2A filing, TFA has updated this Disclosure Brochure to include information about a Securities and Exchange Commission signed Order Instituting Administrative and Cease-and-Desist Proceedings relating to the failure to apply advisory fee discounts to certain retail clients in the Capital, Sterling, and Advantage advisory programs administered by TFA. Additional details about this Order can be found on page 16 of this brochure.

This Disclosure Brochure also includes updated information about the Variable Product Advisory Program. Information regarding the updated fees and compensation associated with this program may be reviewed in Item 5 of this Disclosure Brochure.

When we update this Disclosure Brochure, we will either send you a copy or offer to send you a copy (either by electronic means (email) or in hard copy form).

If you would like another copy of this Disclosure Brochure, you may download it from the SEC's public disclosure website (IAPD) at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov), download it at <https://TFA.Transamerica.com>, or contact us at (800) 322-7161, extension 123-6535.

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## ITEM 4 – ADVISORY BUSINESS

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### **The Company**

Transamerica Financial Advisors, Inc. (“we/our/us/TFA”) is an investment advisor firm registered with the SEC since 1991. Our name was changed in September 2009 when one of our affiliate firms merged with us. In January 2012, TFA merged with another affiliate and created a new division of TFA, the Transamerica Financial Group Division (“TFG Division”). This Disclosure Brochure describes the investment advisory services offered by the TFG Division. The advisory services offered through the TFA Division are disclosed in separate Form ADV Part 2A and Appendix 1 Disclosure Brochures specific to that Division.

TFA is also a general securities broker/dealer firm and has been a member of the Financial Industry Regulatory Authority (FINRA) since 1984. This enables us to provide a full range of financial products to our clients such as stocks, bonds, mutual funds and direct investments. Some of our advisory programs require our investment adviser representatives (“Advisors”) to act as broker/dealer representatives, as well.

We are directly owned by AUSA Holding Company, Transamerica International Holdings, Inc. and AEGON Asset Management Services, Inc., who are indirect, wholly-owned subsidiaries of the ultimate parent, AEGON N.V., a publicly traded company listed on the New York Stock Exchange (NYSE) and trading under the symbol AEG.

### **Advisory Services Offered**

At the time we offer you our advisory services, our Advisors conduct interviews with you to determine your financial needs and objectives. The Advisor will analyze your current financial situation, investment goals, and present strategies. The Advisor will then provide recommendations to you based on the Advisor’s analysis. Our Advisors may offer you one or more of the following advisory services:

- **Third-Party Money Management Programs**

Our Advisors have access to a lineup of third-party money managers (“TPMMs”) that focus on providing managed portfolios to clients with account balances as low as \$5,000. Depending on the TPMM selected, the TPMM will typically utilize either exchange traded products or mutual funds within their investment strategies. In some cases, TPMMs may include equity securities, municipal securities, US government securities, exchange traded notes and/or other securities products within their investment strategies (please refer to the specific TPMM’s Form ADV

Part 2A or other disclosure document for a complete listing of the types of investments it may use in a client's portfolio).

If you own certain variable products, such as a Variable Annuity ("VA") or Variable Universal Life ("VUL") policy, our Advisors may offer you advisory services on the subaccount allocations in your VA or VUL products. These services are offered by TPMMs recommended by your Advisor and are designed to provide you with ongoing investment management services on the subaccount allocations within your VA or VUL products.

Within each Third-Party Money Management Program, the TPMM selected will have discretionary authority over your account in order to conduct the necessary trading activity.

- **Employee Benefit Services**

Our Advisors also have the ability to refer clients to various third-party providers that provide certain administrative services relating to employee benefit plans. Through these third-party providers, clients can gain access to certain TPMMs within their employee benefit plan that are also available in the Third-Party Money Management Programs described above.

- **Transamerica Wealth Management Strategies® Program**

The Transamerica Wealth Management Strategies® Program ("TWMS Program") is a wrap fee program that offers clients access to a fee-based investment management program. The TWMS Program is available to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations, and other business entities. TFA has entered into an agreement with FOLIO*fn* Investments, Inc. ("FOLIO*fn*"), whereby TFA will administer and sponsor the TWMS Program using FOLIO*fn*'s internet-based platform. TFA has entered into contractual arrangements with various Model Managers ("Money Managers") whose services are available through the TWMS Program.

Additionally, TFA is the Model Manager for the Transamerica I-Series® portfolios available within the TWMS Program. Transamerica I-Series® portfolios use strategic and alternative asset allocation models to establish an individualized portfolio in accordance with particular investment objectives and risk targets. Within the TWMS Program, you may select multiple Transamerica I-Series® portfolios allowing you to pursue different investment strategies within a single account. Depending upon the models selected, the underlying assets may include

Exchange Traded Funds (ETFs), Exchange Traded Notes (ETNs), other Exchange Traded Products (ETPs), and/or mutual funds. Within each Transamerica I-Series® portfolio, the client owns the underlying securities in his or her account.

Additional information about the TWMS Program can be found in the Wrap Fee Program Brochure (Form ADV Part 2A Appendix 1) for the TFG Division.

### **Types of Investments**

Within each of the advisory services described above, specific advice as to the types of investments to be used is not given by the Advisor, but is determined by the selected TPMM or Money Manager.

Our Advisors may also provide assistance to the client by explaining any special instructions for the management of the assets in an account; in understanding the investment management process, investment objectives, and the investment strategies undertaken as part of the service; in reviewing and completing the written materials required by the TPMM; in monitoring reports, statements and performance results; in monitoring the client's ongoing needs and financial situation; and in answering questions about the service.

### **Assets Under Management**

As of December 31, 2013, TFA had approximately \$1.27 billion in discretionary assets under management and \$2.82 billion in non-discretionary assets under management. These figures are computed in the same fashion as in TFA's Form ADV, Part 1A.

Discretionary assets under management entails our having ongoing responsibility to select or make securities recommendations to you based upon your needs and arranging or effecting the purchase or sale of these securities without first consulting you. Non-discretionary assets under management entails our having ongoing responsibility to make securities recommendations to you based upon your needs and arranging or effecting the purchase or sale of these securities after consulting with you. We therefore provide you with continuous and regular supervisory or management services when acting in a discretionary or non-discretionary capacity.

## **ITEM 5 – FEES AND COMPENSATION**

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We charge fees for our advisory services. The fees we charge differ among our programs. You will find specific detail for each service below. You should examine carefully your advisory service agreement for the advisory program you select. It provides greater detail with respect to the fees and charges that you will pay for the program you have selected.

<i>Name of Program</i>	<i>Fees are Negotiable between You and Your Advisor</i>	<i>Deduct Fees from Your Account</i>	<i>Other Expenses Charged to Your Account<sup>1</sup></i>	<i>Annual Advisory Fee Breakpoints Offered</i>	<i>Total Annual Advisory Fees Charged</i>
<b>Third-Party Money Management Programs (non-Variable Product)<sup>2</sup></b>	Yes	Specific to the third-party money manager (Please refer to their Form ADV Part 2A)	Dependent on the third-party money manager program selected.	Specific to the third-party money manager (Please refer to their Form ADV Part 2A)	Not to exceed 2.60%
<b>Variable Product Third-Party Money Management Program<sup>2</sup></b>	Yes	Specific to the third-party money manager (Please refer to their Form ADV Part 2A)	Variable product expenses as described in your product prospectus. <sup>3</sup>	Specific to the third-party money manager (Please refer to their Form ADV Part 2A)	Not to exceed 1.80% <sup>3</sup>
<b>Transamerica Wealth Management Strategies<sup>®</sup> Program</b>	Yes	Monthly in arrears.	Yes, as detailed in account establishment paperwork.	Yes	Not to exceed 2.50%
<b>Employee Benefit Services</b>	Yes	Specific to selected platform.	Specific to selected platform.	No	Not to exceed 1.50%

<sup>1</sup> Client may also incur certain charges imposed by third parties other than TFA and Advisor in connection with investments made through Client's Account, including, without limitation, the following types of charges which are generally charged by mutual funds and fully disclosed in the prospectus for each fund: 12(b)-1 fees, management fees and administrative servicing fees, other transaction charges and service fees, and IRA and Qualified Retirement Plan fees.

<sup>2</sup> Our Advisors do not establish the specific fee charged by the TPMM for whom the Advisors solicit business. Our Advisors also do not establish the termination procedures for a TPMM for which the Advisor solicits business. Clients pay advisory fees directly to the TPMM and the TPMM in turn compensates TFA. TFA pays a portion of this fee to its Advisors. Clients receive a Disclosure Statement that describes the fee paid to TFA by the TPMM. TPMMs will typically require that Clients authorize automatic fee deduction from the advisory account. In many cases, the TPMM will also charge fees on cash positions held within client accounts. Clients should refer to the TPMM's Form ADV Part 2A or other Disclosure Brochure for a complete discussion of the fees and termination procedures associated with the particular advisory program in which they will participate. The total fee charged to the client by the respective TPMM (including TFA's portion of the fee) shall not be more than 1.8% annually.

All fees paid by a client to a TPMM for portfolio management services are separate and distinct from the fees and expenses which may be charged by investment companies such as mutual fund fees and expenses. Such fees and expenses will generally include, but are not limited to, a management fee, other fund operating expenses, possible distribution fees, and/or administrative fees. You may pay an initial or deferred sales charge or surrender fee if the fund also imposes sales charges or surrender fees.

Participation in TPMM advisory services offered through TFA may cost you more than purchasing similar services separately directly through a TPMM. However, certain TPMM services may not be offered directly to clients and may only be available through an introducing Investment Advisor such as TFA.

<sup>3</sup> The Annual Advisory Fee does not represent those fees and expenses charged by the variable product issuer such as Mortality and Expense, Administrative Charges, and Product Rider or Enhancement Charges, or Variable Subaccount Operating Expenses. For a more complete description of these fees and expenses, please refer to your variable product account establishment paperwork and prospectus(es).

#### Additional Information About Third-Party Money Management Programs

Depending on your account balance and/or portfolios selected within the Third-Party Money Management programs available through TFA, the same investment management strategies or portfolios may be available within the TWMS Program at different pricing levels which may be more or less expensive to you.

The TPMMs may use other custodians such as, but not limited to, Schwab, Pershing or Fidelity. These custodians will deduct the advisory fee directly from your account or, if you



have more than one account, from the account you have designated for payment of your advisory fees. Please refer to your account establishment paperwork, custodial account paperwork, and/or TPMM's Form ADV Part 2A or similar Disclosure Brochure for additional details on fees and expenses.

You will receive periodic financial statements (or notification that your financial statements are available to view online) directly from your account custodian. These statements will show all transactions, positions and credits/debits (deposits/withdrawals) in your account. These statements will reflect deductions for advisory fees paid by you to us.

It should also be noted that Flexible Plan Investments, Ltd. ("Flexible Plan") offers a Small Account Program which allows clients to establish single accounts with an initial balance of less than \$25,000 and has a minimum account size of \$5,000. A one-time, non-refundable administrative set-up fee equal to the lesser of three percent (3%) of the initial balance of the account or \$350.00 shall be due and payable upon the establishment of such an account. This fee is separate from the quarterly advisory fee paid to Flexible Plan. Additional details about the Small Account Set-Up Fee can be found in Flexible Plan's Form ADV Part 2A.

#### Employee Benefit Services

For 401K plans, the Advisor's target fee range will be between .05% and 1.50% annually. This negotiable fee will be in addition to the TPMM's fee which can be found in the TPMM's Form ADV Part 2A or other Disclosure Brochure. Solicitation fees may be charged monthly or quarterly in arrears or in advance depending on the TPMM. Also, other fees such as plan establishment fees, plan conversion fees, and plan administration and compliance fees may be applicable, and will be disclosed in the account establishment documentation.

#### Transamerica Wealth Management Strategies® Program

For accounts opened within the TWMS Program, TFA has established the following fee schedule for our Advisors:

<u>Account Balance</u>	<u>IAR Fee*</u>
\$25,000 to \$250,000	1.10%
\$250,001 to \$500,000	1.00%
\$500,001 to \$1,000,000	0.90%
\$1,000,001 to \$2,000,000	0.80%
Over \$2,000,001	0.70%

*\* Represents annual fees for services and advice provided by your Advisor as a percentage of assets under management.*

The total client fees for the TWMS Program include the IAR's fee and the Portfolio Management and Administration Fee, the total of which ranges from 1.20% to 2.50% annually depending on the portfolio selected and the amount invested. These fees may be lower for larger accounts. All fees are billed monthly in arrears. All securities and cash positions held within the TWMS program are considered billable assets. Cash positions held outside of a Model Portfolio may be subject to reduced fees.

Due to the distribution of the Transamerica I-Series® portfolios through the TWMS Program, the Transamerica I-Series® portfolios may be more expensive to clients through the TFG Division than clients who obtain these services through the TFA Division and not through the TWMS Program.

Depending on your account balance and/or portfolios selected within the TWMS Program, the same investment management strategies or portfolios may be available within the Third-Party Money Management programs available through TFA at different pricing levels which may be more or less expensive to you.

Please refer to the account establishment paperwork for the TWMS Program for additional details on fees and expenses.

### **Refunds**

For clients with assets managed within Third-Party Money Management Programs, please refer to the termination provisions and, if applicable, fee refund provisions in your TPMM's advisory service agreement, account opening paperwork, and/or Form ADV Part 2A or similar Disclosure Brochure.

For clients receiving investment advisory services on variable products, such as a VA or VUL policies, who terminate their advisory relationship with us or their selected TPMM, your assets will remain under the custody of the issuing insurance company or the issuing insurance company's designated custodian. You should refer to the termination provisions and, if applicable, fee refund provisions in your TPMM's advisory service agreement, account opening paperwork, and/or Form ADV Part 2A or similar Disclosure Brochure.

For clients with assets in the TWMS Program, the client services agreement will continue in effect until you or TFA terminates it by giving written notice to the other. If you terminate the client services agreement within five (5) business days of signing, you will receive a full refund of all fees and expenses. If you terminate the client services agreement after five (5) business days of signing, any prepaid fees will be prorated and you will receive the unearned portion. The client services agreement will also terminate should the agreement between TFA and FOLIOfn terminate. Upon termination, neither TFA, Advisor, FOLIOfn nor

any of the Model Managers will have any obligation to recommend or take any action with regard to the securities, cash or other investments in your TWMS Program account. Upon termination of the client services agreement with TFA, your account assets held within your TWMS Program account will remain under the custody of FOLIO<sup>fn</sup> until you provide the required account transfer instructions to FOLIO<sup>fn</sup>.

### **Conflicts of Interest**

#### **Transamerica I-Series® Program**

Some of the model portfolios available in Transamerica I-Series® Program through the TWMS Program are managed by TFA, Transamerica Asset Management, Inc. (“TAM”) and AEGON USA Investment Management, LLC (“AUIM”). TAM and AUIM are affiliated investment advisor firms. Client accounts opened through the program using model portfolios managed by TFA, TAM or AUIM will result in additional revenue to TFA and its affiliates as opposed to accounts opened using model portfolios of unaffiliated firms.

#### **Variable Product Advisory Program**

TFA recognizes that many clients desire to have additional assistance with the management of their variable product’s sub-account allocations. As a result, Advisors through TFA’s Variable Product Advisory Program are able to offer these clients additional allocation assistance through various Third-Party Money Manager relationships. Effective January 1, 2014, Advisors may only recommend to clients the use of a Third-Party Money Manager on no-load/non-commissionable VA and VUL products. Clients who have Third-Party Money Management relationships with other types of variable products that were established prior to January 1, 2014, will be permitted to maintain those relationships.

In certain cases in which the underlying variable product is not a no-load/non-commissionable VA or VUL product, the compensation payments associated with these products, may present a conflict of interest. Variable products may have previously been sold to you through your Advisor while they were acting in the capacity of a Registered Representative of TFA’s registered broker/dealer. In such cases, some variable products may have paid a commission on the initial sale of the variable product to TFA which would have been shared with the Registered Representative. If you subscribed to TFA’s Variable Product Advisory Program prior to January 1, 2014, your Advisor may have received: (1) the commissions paid, including any ongoing trail compensation, on the original sale of the variable product and (2) the ongoing advisory fees paid for the investment management services offered in this program.

In an effort to reduce the potential conflict of interest, TFA and its Advisors would not have accepted or applied any advisory fees for the investment management services offered for a period of three years when TFA or its Advisors received commission compensation on the sale of your variable product as a registered broker/dealer or Registered Representative.

However, if you chose to participate in TFA's Variable Product Advisory Program through a Third-Party Money Manager recommended by your Advisor, the Third-Party Money Manager may still have applied and/or accepted advisory fees for the investment management services offered by such Third-Party Money Manager regardless of any commission compensation paid to TFA or its Advisors during any time period.

#### World Financial Group Insurance Agency

Your Advisor may also be able to offer you fixed insurance products through his or her affiliation with World Financial Group Insurance Agency ("WFGIA"). If you purchase non-variable insurance contracts from your Advisor acting in their capacity as a WFGIA Agent, you may pay a normal and customary insurance commission for the purchase of the product. In these cases, your Advisor may receive a commission as an insurance agent of WFGIA. Such commission is paid directly to the applicable Advisor, as an insurance agent, from the issuer of the insurance product through WFGIA. Receipt of these commission payments creates a conflict of interest. The Advisor has an incentive to recommend certain non-variable insurance contracts that are available through his or her affiliation with WFGIA for which the Advisor may receive greater compensation instead of certain investment advisory services through TFA that may be more suitable for you. TFA endeavors at all times to recommend only those advisory services that meet its clients' needs and objectives, regardless of the potential for receiving additional payment. In cases where additional payment will be received by an Advisor, such payment will be disclosed to you prior to the transaction being placed. You may choose not to implement any recommendations made by your Advisor.

#### Additional Conflicts of Interest

Flexible Plan Investments, Ltd., an unaffiliated third-party money management firm and independent investment adviser registered with the Securities and Exchange Commission, has entered into an agreement with Thomas Campbell, an Advisor of TFA, relating to the development of the "STF Strategy" by Mr. Campbell. The STF Strategy is now managed by and available through Flexible Plan. The STF Strategy is an investment methodology that seeks gains in bull or bear markets, uses rule sets in an attempt to take advantage of both up and down market trends, and uses leveraged, double-beta funds while tracking the price action of the NASDAQ 100 Index. For certain qualifying client accounts that are managed pursuant to the STF Strategy, Thomas Campbell will receive additional compensation from Flexible Plan if the client selects this strategy at the time the account is opened or thereafter. Thomas Campbell will not receive any additional compensation for client accounts using the STF Strategy for which he is the Advisor or co-Advisor of record.

Summit Global Investments, LLC, an unaffiliated third-party money management firm and independent investment adviser registered with the Securities and Exchange Commission, has entered into an agreement with TFA to provide certain investment advisory services to

TFA clients. Richard Thawley is a TFA representative that is only registered with the broker-dealer of TFA and not the investment advisor. Mr. Thawley is a private investor in Summit Global and may benefit from business referred to Summit Global by TFA investment advisor representatives. We resolve this conflict by monitoring the appropriateness of the recommendations made to you by our Advisors on all products you purchase.

Fund Architects, LLC, an unaffiliated third-party money management firm and independent investment adviser registered with the Securities and Exchange Commission, has entered into an agreement with TFA to provide certain investment advisory services to TFA clients. Keith Reed, Executive Vice President, and Burt Snover, President, of Fund Architects are both registered representatives with TFA's Broker/Dealer. Additionally, Burt Snover, is an investment advisor representative of TFA's Registered Investment Advisor. As executive officers of Fund Architects, Mr. Reed and Mr. Snover may both benefit from business referred to Fund Architects by TFA investment advisor representatives. We resolve this conflict by monitoring the appropriateness of the recommendations made to you by our Advisors on all products you purchase.

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

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We do not charge advisory fees based on a share of the capital gains on or capital appreciation of funds or securities in your account. These fees are also called performance-based fees. Our advisory fee compensation is charged only as disclosed above in Item 5.

## ITEM 7 – TYPES OF CLIENTS

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We provide investment advisory services to individuals, high-net worth individuals, pension and profit sharing plans, corporations or other businesses, trusts, estates and charitable organizations. Accounts available through us have minimum investment amounts starting at \$5,000. This minimum may vary depending on the account program selected by the client. The TPMM selected by you may choose to open an account with a minimum less than \$5,000 depending on the account program and if you have other related accounts managed by the TPMM. Employee benefit accounts, such as 401K plans, can in certain cases be opened with no account minimum.

We have established conditions for opening and maintaining advisory accounts. Specifically, advisory clients must complete a Customer Account Information form or Client Profile form for certain programs. Either form will provide us with information such as

name, address, date of birth and other information used to identify you. We may use third-party sources to verify and/or update the information provided and may also request to see your driver's license or other identifying documents.

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

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### **Third-Party Money Manager Programs**

Advisors may assist you in selecting a TPMM whose investment strategies suit your needs and financial objectives. Assistance may also be provided to you in explaining the differences among the TPMMs available. Advisors may also provide assistance to you by explaining any special instructions for the management of the assets in your account; in understanding the investment management process, investment objectives, and the investment strategies undertaken as part of the service; in reviewing and completing the written materials required by the TPMM; in monitoring reports, statements and performance results; in monitoring your ongoing needs and financial situation; and in answering questions about the service.

We select TPMMs who are registered investment advisors based upon the following criteria:

- Track record
- Investment strategy
- Public reports comparing advisors and their managers
- Disclosure documents

The methods of analysis, sources of information and investment strategies used by TPMMs will vary among managers. We encourage you to read each TPMM's Disclosure Brochures, Form ADV Part 2A and any other document you receive prior to entering into an agreement with a third-party money manager. TPMMs will exercise discretion over your account assets.

A risk associated with this type of analysis is that past performance is not a guarantee of future results. While a TPMM may have demonstrated a certain level of success in past economic times, the TPMM may not be able to replicate that success in future markets. In addition, just because a TPMM may have invested in a certain manner in past years, such TPMM may deviate from its strategy in future years. To mitigate this risk, TFA attempts to select TPMMs with proven track records that have demonstrated a consistent level of performance and success. TFA also conducts annual due diligence on the TPMMs.

## **TWMS Program**

Additional information related to the method of analysis, investment strategies, and risk of loss relevant to the TWMS Program can be found in the Wrap Fee Program Brochure (Form ADV Part 2A Appendix 1) for the TFG Division.

## **Risk of Loss**

Although we work hard to preserve your capital assets and increase your wealth, investing in securities can involve a risk of loss to your principal (invested amount) and any unrealized profits. For example, securities may not be sold at the appropriate time to achieve a profit. Certain strategies may impose more risk than others. As a fiduciary, we will strive to provide investment advice for your portfolio that is in your best interests.

The risk of loss can increase based on the securities held in the account and how those securities are purchased. Some examples of risks include the following:

- Fluctuating stock markets and bond markets along with recent global and domestic economic events influencing these markets.
- Purchasing securities on margin where you could lose more funds or securities than were deposited.
- Writing or selling an option contract (*e.g.*, a call, put, or straddle) without depositing the underlying security. Your risk of loss is potentially unlimited.
- Purchasing inverse or leveraged mutual funds and exchange traded products. These securities could suffer losses even if the long-term performance of the underlying index or benchmark showed a gain.

We will strive to provide investment advice for your assets to the best of our ability; however we cannot guarantee any level of performance or prevent losses in your account assets.

## **ITEM 9 – DISCIPLINARY INFORMATION**

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As mentioned in Item 4, we are both a broker/dealer and a Registered Investment Adviser. The disciplinary events that are described below pertain to the broker/dealer only.

In the last ten years, we have had 17 disciplinary events that are material to your evaluation of us. Two of these events involve charges brought by the Securities and

Exchange Commission ("SEC"). Four of the events involve charges brought by our self-regulatory organization, Financial Industry Regulatory Authority, Inc. ("FINRA") formerly known as the National Association of Securities Dealers. Eleven of the events involve charges brought by state regulatory agencies.

### **SEC Proceedings**

On April 3, 2014, the Securities and Exchange Commission ("SEC") signed an Order Instituting Administrative and Cease-and-Desist Proceedings relating to the aggregation of advisory accounts for billing purposes in the Capital, Sterling, and Advantage Programs by Transamerica Financial Advisors, Inc. ("TFA"). We agreed to a censure, a fine of \$553,624, and to retain the services of an independent consultant to conduct a review of our policies and procedures. We also undertook remedial efforts by providing refunds and credits to accounts of clients and former clients who were overcharged fees. This matter pertained to the firm failing to apply advisory fee discounts to certain retail clients in several of its advisory fee programs contrary to its disclosures to clients and its policies and procedures. Please go to [TFA Website](#) for a copy of the Order relating to this matter.

On November 22, 2010, the firm entered into an Order with the Securities and Exchange Commission. Without admitting or denying the allegations, we agreed to pay a fine of \$200,000 and to retain the services of an outside vendor to provide suitability training to each of the firm's registered representatives for a two-year period. This matter pertains to the SEC alleging that the firm did not provide adequate supervision to representatives in a California-based office from the beginning of 2006 through May 2007. The SEC also believed that certain registered representatives of that office made unsuitable securities recommendations to clients during that time.

### **FINRA Proceedings**

On October 13, 2004, the NASD accepted our Letter of Acceptance, Waiver and Consent in which we proposed a settlement of alleged NASD rule violations. We agreed to a censure and a fine of \$15,000. This matter pertained to the firm permitting certain representatives to act in their registered capacities while they should have been designated inactive as a result of not satisfying the regulatory element of their continuing education requirements.

On November 30, 2004, the NASD accepted our Letter of Acceptance, Waiver and Consent in which we proposed a settlement of alleged NASD rule violations. We agreed to a censure and a fine of \$125,000. We further agreed to conduct periodic audits to assess the effectiveness of our system and procedures relating to the timely filing of amendments to Forms U4 and U5. We also agreed to provide audit reports and written certifications relating to these procedures to the NASD.



On March 23, 2009, FINRA accepted our Letter of Acceptance, Waiver and Consent in which we proposed a settlement of alleged NASD rule violations. We agreed to a censure and fine of \$50,000. This matter related to the trade-by-trade review we conducted as part of a breakpoint assessment required by FINRA.

On December 21, 2010, FINRA accepted our Letter of Acceptance, Waiver and Consent in which we proposed a settlement of alleged NASD rule violations. We agreed to a fine of \$50,000. We further agreed to review the adequacy of our policies, systems and procedures for determining whether new products are securities and to provide a written description of the policies, systems and procedures and certification to FINRA.

### **State Proceedings**

On October 20, 2004, we entered into a Consent Order with the Arizona Corporation Commission relating to the supervision of a registered representative who had sold payphone investments. Without admitting or denying these allegations, we paid an administrative penalty of \$50,000 and agreed to establish a claim resolution process to resolve any claims brought by Arizona residents who purchased a payphone investment from the registered representative. We also enhanced our procedures relating to the review of outside business activities and the documentation of the reviews. We also conducted audits of all registered representatives working in Arizona and submitted audit documentation to the State.

On February 9, 2006, we entered into a Consent Order with the Maryland Securities Commissioner relating to the supervision of a registered representative and his associated representatives who had sold unregistered promissory notes. Without admitting or denying these allegations, we consented to pay an amount not to exceed \$364,811.34 for disbursement to certain clients; to notify the State of all complaints brought by Maryland residents and their dispositions for two years; and to provide information to the State regarding examinations of our Maryland registered representatives for two years.

On July 12, 2006, the Pennsylvania Securities Commission accepted our Offer of Settlement in which we proposed a settlement of alleged violations of the Pennsylvania Securities Act of 1972. Without admitting or denying the allegations, we agreed to pay an administrative assessment of \$100,000 and \$5,500 for the costs of investigation. We also agreed to retain an expert to examine certain supervisory records and to review our supervisory procedures. This matter related to our supervision of an OSJ Branch Manager who was obligated to oversee a registered representative who had been placed under heightened supervision.

On November 8, 2006, we entered into a Consent Order with the State of Missouri Securities Division. Without admitting or denying the allegations, we agreed to pay a fine of \$130,600 to the State and restitution to customers totaling \$98,000. This matter pertained to our supervision of registered representatives who effected unsuitable variable annuity transactions for elderly clients.

On May 31, 2007, we entered into a Stipulation and Consent Order with the Division of Securities of the Department of Commerce of the State of Utah. Without admitting or denying the allegations, we agreed to a fine of \$50,000, to provide training to all Utah registered representatives, and to improve our policies and procedures relating to the review of seminars. This matter pertained to two registered representatives making misrepresentations and omitting material facts during seminars that they conducted.

On September 18, 2007, we were issued a Letter of Caution by the State of Nevada Securities Division. Without admitting or denying the allegations, we agreed to ensure the firm's trade blotter reflects all applications received from a branch office, revise the firm's policies and procedures to clarify the term "promptly submit", and to provide training to the firm's registered representatives. This matter pertained to the firm failing to follow its own policies and procedures and failing to supervise a registered representative and branch manager in connection with the maintenance of trade blotters.

On February 17, 2009, we entered into a Consent Order with the State of North Dakota Securities Department relating to the supervision of a registered representative who had sold unregistered promissory notes. Without admitting or denying these allegations, we paid a fine of \$90,000. In addition, we informed our supervisory and compliance officers and field auditors about the Order; reminded them of the importance of uncovering and preventing selling away activities; and instructed them to review bank records of our registered representatives and investment advisor representatives.

On December 2, 2009, we entered into a Consent Order with the State of Nevada Securities Division. Without admitting or denying the allegations, we agreed to pay a fine of \$30,000 and to take remedial action to ensure that our registered representatives comply with the firm's internal policies and procedures relating to entry of rejected trades on the branch office trade blotter.

On April 15, 2010, we entered into a Consent Order with the State of Nevada Securities Division. We agreed to pay the State \$15,000 for the cost of its investigation into a matter which the firm reported to the State. Also, restitution in the amount of \$382,200 was paid by the firm as a result of a former registered representative selling unregistered securities, without the firm's knowledge, to six individuals.

On May 17, 2010, we agreed to pay an administrative penalty in the amount of \$25,000 to the Arizona Corporation Commission and we were required to undertake remedial measures as directed by the State for a period of three years. We also paid restitution in the amount of \$828,501. This matter pertained to the sale of unapproved products by former registered representatives of the firm.

On August 2, 2011, we entered into a Consent Order with the State of Florida Office of Financial Regulation. Without admitting or denying the allegations, we agreed to pay an administrative fine of \$50,000. The State of Florida found that we failed to reasonably supervise a former representative in violation of Section 517.161(1)(H) Florida Statutes and Rule 69W-600.013(1)(H)1 Florida Administrative Code.

## ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

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As stated in Item 4, we are also a broker/dealer. In general, our Advisors, our management team, and most of our Investment Committee members are Registered Representatives of our broker/dealer. All of our Advisors are affiliated with World Financial Group Inc., a financial services marketing company who is affiliated with TFA in order to offer a broad array of financial products and services to clients.

We are a member of the Transamerica Group of companies. These companies include investment companies that offer mutual funds and variable insurance products. Many of these products are allowed to be purchased by the various TPMMs or Model Managers available in our programs. Based on our affiliation with various investment companies and variable insurance companies, a conflict of interest may exist due to the compensation paid to us by these companies and compensation gained by our affiliates through fees and expenses charged to you on their products. This compensation is in addition to the advisory fees you pay to us. We resolve this conflict by monitoring the appropriateness of the recommendations made to you by our Advisors on all products you purchase including those products issued by our affiliates.

We have contracts with TPMMs who are also investment advisors that offer fee-based advisory programs. These relationships were described in Item 4. These third-party money managers are not affiliated with us and they pay us a portion of the fees you pay to them. This is considered a material conflict of interest. The cost of placing your assets with one of these TPMMs may be higher than placing your assets in another advisory account.

### **Broker/Dealers under Common Control with AEGON N.V.**

The following FINRA registered broker/dealers are under common control with us. We and each of these other broker/dealers are indirect, wholly-owned subsidiaries of AEGON N.V.

- Clark Securities, Inc.
- Transamerica Investors Securities Corporation
- Transamerica Capital, Inc.

Transamerica Capital, Inc. is the principal underwriter for variable annuity and life insurance products offered by our affiliated insurance companies. We have a selling agreement with this broker/dealer that compensates us for selling these products. This firm is also a wholesale distributor of Transamerica products. Such compensation may create a conflict of interest for us and our Advisors. We resolve this conflict by monitoring the appropriateness of the recommendations made to you by our Advisors on all products you purchase including those products issued by our affiliates.

### **Investment Companies under Common Control with AEGON N.V.**

We have an agreement to sell mutual funds of one of our related investment companies, Transamerica Funds. Through our affiliated insurance companies, we have the ability to offer insurance products which may contain shares of the Transamerica Series Trust and/or Transamerica Partners Funds, both affiliated investment companies. We receive compensation from these sales. Such compensation may create a conflict of interest for us and our Advisors. We resolve this conflict by monitoring the appropriateness of the recommendations made to you by our Advisors on all products you purchase including those products issued by our affiliates.

### **Registered Investment Advisers under Common Control with AEGON N.V.**

The following SEC Registered Investment Advisers are under common control with us. We and each of these advisory firms are indirect, wholly-owned subsidiaries of AEGON N.V.

- Transamerica Asset Management, Inc. ("TAM");
- AEGON USA Investment Management, LLC ("AUIM");
- Transamerica Retirement Advisors, Inc.;

Some of the model portfolios available in the Transamerica I-Series® Program are managed by TFA, TAM and AUIM. Client accounts opened through the program using model

portfolios managed by TFA, TAM or AUIM will result in additional revenue to TFA, TAM or AUIM as opposed to accounts opened using model portfolios of unaffiliated firms. Such additional revenue may create a conflict of interest for us and our Advisors. We resolve this conflict by monitoring the appropriateness of the recommendations made to you by our Advisors to participate in model portfolios available in the Transamerica I-Series® Program which are managed by TFA, TAM and AUIM.

TAM is the investment advisor to Transamerica Funds and has an indirect relationship with TFA due to TFA's distribution of Transamerica Funds as described above which may create a conflict of interest. We resolve this conflict by monitoring the appropriateness of the recommendations made to you by our Advisors on all products you purchase including those products issued by our affiliates.

### **Insurance Companies or Agencies under Common Control with AEGON N.V.**

We have material relationships or arrangements with a select group of product sponsors ("Sponsoring Companies"), some of which are affiliated insurance companies/agencies. In certain cases, some of our officers may be personally affiliated with our affiliated insurance companies/agencies. In addition, due to our registration as a broker/dealer, we may also receive additional compensation in the form of revenue sharing payments when you purchase products through these insurance companies/agencies. A summary of TFA's Revenue Sharing and current Sponsoring Company compensation arrangements can be found at the Home Page of TFA's website at [www.tfa.transamerica.com](http://www.tfa.transamerica.com) under Revenue Sharing. Such revenue sharing payments may create a conflict of interest for us and our Advisors. We resolve this conflict by monitoring the appropriateness of the recommendations made to you by our Advisors on all products you purchase including those products issued by our affiliates.

The following is a list of our affiliated insurance companies/agencies:

- Western Reserve Life Assurance Co. of Ohio
- InterSecurities Insurance Agency, Inc.
- Transamerica Life Insurance Company
- Transamerica Financial Life Insurance Company
- World Financial Group Insurance Agency, Inc. (DBA World Financial Insurance Agency, Inc. in California)
- World Financial Group Insurance Agency of Hawaii, Inc.
- World Financial Group Insurance Agency of Massachusetts, Inc.
- World Financial Group Insurance Agency of Wyoming, Inc.
- WFG Insurance Agency of Puerto Rico, Inc.

Your Advisor may be able to offer you insurance products through his or her affiliation with one or more of these agencies. When you purchase insurance products through your Advisor and our Affiliated Agencies, your Advisor and our Affiliated Agencies will receive commission compensation.

### **Transamerica Retirement Management, Inc. (“TRM”)**

TRM is a marketing affiliate of Transamerica Life Insurance Company and Transamerica Financial Life Insurance Company and an affiliate of TFA. TRM offers securities and investment advisory services through TFA. TRM Financial Advisors are Advisors of TFA. Multiple TRM Financial Advisors may work together when offering services to you.

TRM markets TFA’s investment advisory services through the brand name SecurePath Advisory Services (“SecurePath”). Depending upon the needs of the client, SecurePath offers financial services that include investment and insurance products that have been approved by TFA. As part of SecurePath, TRM Financial Advisors may offer Financial Planning, Consulting, Advisor Managed, TFA Managed, and/or Third-Party Money Management Programs through TFA as described in Items 4 and 5 of this Disclosure Brochure. In addition, TRM may impose account minimums greater than those listed in Item 7 of this disclosure brochure.

## **ITEM 11 – CODE OF ETHICS**

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We have adopted a Code of Ethics and an Insider Trading Policy (“Code”). This Code is designed to ensure that we meet our fiduciary obligation to you and our prospective clients, that we conduct our advisory services with the highest level of ethical standards, and that we instill a culture of compliance within our firm.

Our Code is comprehensive and is distributed to each home office employee and Advisor (collectively “Access Persons”) at the time of hire, and annually thereafter. We also supplement the Code with annual training and ongoing monitoring of the activity of Access Persons.

Our Code includes the following requirements for our Access Persons:

- Maintain the principles of honesty, integrity, professionalism and comply with federal and state securities laws;
- Follow all policies and procedures contained in our manuals, bulletins, and supervisory directives and cooperate with any investigation or inquiries;

- Maintain the privacy and confidentiality of information provided by our clients;
- Refrain from:
  - insider trading
  - accepting gifts and entertainment that exceed our policy standards
  - participating in any initial public offerings
  - executing a personal transaction in a security for which the Access Person already has a pending buy or sell order for a client.
- Report all gifts and business entertainment;
- Pre-clear personal securities transactions;
- Report on a quarterly basis all personal securities transactions;
- Annually review and certify compliance with our Code;

We also have established the following guidelines for our Access Persons:

- Our directors, officers and employees are not allowed to buy or sell securities for their personal portfolio(s) unless the sales information is also available to the investing public. Access Persons are not to place their own interests above yours.
- Any Access Person not complying with these guidelines may be subject to disciplinary action including termination.

You may request a complete copy of our Code by contacting our Rep Relations Department at the address or telephone number displayed on the cover page of this Disclosure Brochure.

## ITEM 12 – BROKERAGE PRACTICES

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TFA does not have authority to determine which broker/dealer will be used for the advisory services described in Item 4, above, with the exception of the TWMS Program. The TPMMs choose their own brokerage and soft-dollar practices, and such practices will be disclosed in the TPMM's Form ADV Part 2A or other disclosure brochure. Clients should refer to the TPMM's disclosure document for a complete discussion of brokerage practices, trade allocation and research or other soft-dollar benefits.

### **TWMS Program**

When you select the TWMS Program, you will appoint Foliofn Investments, Inc. ("Foliofn") as your exclusive broker/dealer and custodian. Your securities transactions will be executed through and your assets held at this firm. We will be solely responsible for directing your purchases and sale transactions to Foliofn. Additionally, we will periodically direct one or more transactions for your account when rebalancing is required.

Rebalancing is the process of buying and selling portions of your portfolio in order to adjust the weight of each asset class to your original asset allocation model. Foliofn attempts to obtain the best execution for you; however, there is no guarantee that this will be accomplished. Due to this arrangement with Foliofn, we may be limited or unable to negotiate commissions, aggregate your orders, or seek execution of transactions as efficiently as possible and at the best price for your account. You may also be paying higher commissions than our other advisory clients.

### **Trade Aggregation and Allocation Policy**

Advisors of the TFG Division do not have the ability to execute trades on behalf of clients and as a result, do not aggregate or allocate the purchase or sale of securities for various client accounts.

Within the TWMS Program, Foliofn may aggregate securities purchases or sales orders for Client's Account with similar orders for other accounts if, in its judgment, such aggregation is reasonably likely to result in an overall economic benefit to Client. Some of these aggregated transactions may be made at different prices due to the volume of securities purchased or sold. In such event, allocation of the securities to be purchased or sold, as well as the expenses incurred in the transaction, will be made by Foliofn in a manner consistent with industry practices.

### **Agency Cross Transactions**

We do not engage in agency cross transactions. An agency cross transaction is a transaction in which we would act as an investment advisor and broker/dealer for you on one side of the transaction and another client on the other side of the transaction. However, we or any person associated with our firm may buy or sell securities identical to those recommended to you for their personal accounts.

### **Principal Trading**

Generally, we do not engage in principal trading. However, we do maintain a "trade error account" in which we buy or sell securities to correct any errors in advisory clients' accounts. We rarely trade for this purpose.

### **Class Action Lawsuits**

We do not determine if securities held by you are the subject of a class action lawsuit or whether you are eligible to participate in class action settlements or litigation nor do we



initiate or participate in litigation to recover damages on your behalf for injuries as a result of actions, misconduct, or negligence by issuers of securities held by you.

## ITEM 13 – REVIEW OF ACCOUNTS

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Review of accounts will be done at least on an annual basis and upon client request. Reviews will be conducted by the Advisor. Please refer to your applicable TPMM's Form ADV Part 2A or similar disclosure document for information related to the TPMM's review of its accounts.

Generally, you will receive monthly or quarterly account statements, transaction confirmations, and/or performance reports. The nature and frequency of client reports will vary by the TPMM. We urge you to carefully review these reports and compare your custodial statements with your performance reports. The information in your performance reports may vary from your custodial statements due to accounting procedures, reporting dates, or valuation methodologies of certain securities. In the event of any discrepancies, you should rely on the statements you receive from the custodian of your assets.

Annually, the Advisory Services Product Manager of our Advisory Services Team, or designee, delivers the firm's Annual Due Diligence Questionnaire to all TPMMs with which we have agreements. The Advisory Services Product Manager, or designee, reviews these questionnaires and escalates any irregularity to the Advisory Services Team. If warranted, the matter will be escalated to our firm's Investment Committee. This committee will review the matter and vote to retain or reject the TPMM.

## ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION

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### Registration Arrangements

Many of our Advisors are also Registered Representatives of our broker/dealer. In the capacity of a Registered Representative, your Advisor will recommend that you place securities transactions through our broker/dealer. These transactions could include, but are not limited to, the purchase or sale of general securities, mutual funds or variable insurance products. The amount of the commissions for the sale of these products is dictated by the investment companies, their distributors, and/or the broker/dealers through which these transactions are executed. All sales charges and expenses are disclosed in the product prospectus, which you will receive at or before the time of your purchase of the product. When your Advisor executes any general securities transactions for you, the Advisor's commissions are based on our broker/dealer's commission table

and may be negotiable. These commissions may be higher or lower than other Registered Representative's commissions, but are believed to be reasonable and competitive.

#### Marketing Compensation Arrangements

In certain cases, TPMMs may pay us marketing compensation. The amount and terms of this marketing compensation may increase or decrease from time to time. Any additional marketing compensation paid by the TPMMs or other service providers to us will not affect your account, the services provided to you, the fee for advisory services that you pay to the TPMM or other service provider, or the compensation paid by us to your Advisor. The existence of a marketing compensation agreement with TPMMs or other service providers can create a conflict of interest for your Advisor and us. We will earn more revenue due to such marketing compensation agreements, and the Advisor may indirectly benefit from this additional revenue through different educational and marketing initiatives conducted by us.

Each of the TPMMs or other service providers that have marketing and referral arrangements with us may attend, contribute to, or sponsor education and training meetings for our Advisors. A TPMM or other service provider may reimburse us for up to 100% of the cost of these meetings. These contributions and reimbursements create a potential conflict of interest because meeting sponsors have more opportunities to provide Advisors with education on investments, their investment management services, industry trends, and other issues; and because we benefit from these contributions and reimbursements.

#### Solicitors Arrangements

We may, from time to time, enter into Solicitor Agreements with separately-registered investment advisors that may be affiliated or unaffiliated with us. These agreements allow these registered investment advisors to offer our advisory programs on a solicitor's basis, pursuant to Rule 206(4)-3 of the Investment Advisers Act of 1940.

On occasion, persons who are not associated with us refer their clients to an Advisor who will offer our advisory programs. We enter into solicitor agreements with these third persons pursuant to Rule 206(4)-3 of the Investment Advisers Act of 1940. The Advisor will compensate that person/solicitor directly if you agree to accept our advisory services. A portion of your advisory fee will be paid to this solicitor. At the time of the referral, your solicitor will provide you with a compensation statement disclosing the terms of his/her agreement with us.

## ITEM 15 – CUSTODY

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TFA has indirect custody of a limited number of client accounts held through our affiliates, Western Reserve Life Assurance Co. of Ohio and Transamerica Life Insurance Company, for which our Advisors provide investment advisory services. TFA also has indirect custody of client accounts in the TWMS Program as TFA has the ability to deduct quarterly advisory fees from a client's account. You will receive account financial statements directly from your qualified custodian at least quarterly. We urge you to carefully review these statements as they are the official record of your account and assets.

## ITEM 16 – INVESTMENT DISCRETION

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Advisors of the TFG Division of TFA do not accept discretionary authority in connection with the accounts opened through its TPMM relationships. TPMMs may maintain discretionary authority, but such authority would be fully-disclosed to clients in the TPMM's Form ADV Part 2A or other disclosure document.

However, when you open a TWMS Program account, you give us discretionary authority. You may impose reasonable limitations and restrictions at the time of opening your account or at a later time by written notice. Our Advisory Services team exercises this discretionary authority.

## ITEM 17 – VOTING CLIENT SECURITIES (PROXY VOTING)

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You are responsible for directing the manner in which proxies for the securities held in your account are voted. We do not vote proxies on behalf of our clients in our other advisory programs including those managed by TPMMs. You should refer to the TPMMs' disclosure documents for a complete description of their proxy voting procedures. These documents will explain whether you will receive proxies or other solicitations directly from the custodian or a transfer agent.

## ITEM 18 – FINANCIAL INFORMATION

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We have no financial condition that is reasonably likely to impair our ability to meet contractual commitments to you and we have never been the subject of a bankruptcy proceeding.