

Part 2A of Form ADV: *Firm Brochure*



Direct 401k, LLC

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This brochure provides information about the qualifications and business practices of Direct 401k, LLC. If you have any questions about the contents of this brochure, please contact us at 866-357-4015 or team@Direct401k.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Direct 401k, LLC is available on the SEC's website at www.adviserinfo.sec.gov. You can search this site by using a unique identifying CRD number; Direct 401k's CRD number is 173939.

Item 2 Material Changes

This Firm Brochure, dated January 1, 2016, provides a summary of Direct 401k including, but not limited to, advisory services and fees, business practices and policies, and actual or potential conflicts of interest.

Direct 401k is required to update certain information at least annually, within ninety (90) days its fiscal year end of December 31, and will provide clients with a revised Firm Brochure within ninety (90) days of such update.

Material changes in Direct 401k's operations will be promptly communicated to clients and summarized below, if applicable. Material changes requiring prompt notification include changes of ownership or control, location, disciplinary proceedings, significant changes to Direct 401k's advisory services, or advisory affiliates, and any information that is critical to Direct 401k's clients' full understanding of Direct 401k, its business, and/or its contact information.

The following summarizes material changes based on information previously provided in Direct 401k's Firm Brochure dated January 1, 2016:

1. There are no material changes at this time.

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Item 4 Advisory Business

Direct 401k, LLC, is an SEC-registered investment adviser with its principal place of business located in Miramar Beach, Florida. Direct 401k also maintains a technology office located in Palo Alto, CA. Direct 401k began conducting business in 2015. As of January 1, Direct 401k provides discretionary investment advisement and or management for clients whose assets total approximately \$300,000,000 in the aggregate.

Direct 401k's principal shareholders (i.e., those individuals and/or entities controlling 25% or more of the company) are listed below:

Team SCM Advisors, Inc.

Direct 401k is an RIA registered under the Investment Advisors Act of 1940. Direct 401k provides fiduciary services, either directly or through its designated investment managers, to two distinct types of clientele: retirement plan sponsors ("e-Fiduciary") and employer sponsored payroll deduction Individual Retirement Accounts ("Auto-IRA's", "e-Advisory"). In addition, Direct 401k, or its designated investment managers, constructs strategic asset allocation model portfolios ("Model Portfolios") consisting of fund of funds for use by its clientele.

In both cases, Direct 401K operates within the guidelines of an internet advisor through the utilization of computer based algorithms and/or models.

Mission Statement

"Direct 401K offers an online turnkey servicing hub that provides prospective plan sponsors a resource for offering their employees a retirement plan through a major plan provider, and then subsequently provides an ongoing fiduciary monitoring solution for investment selection and portfolio construction."

Online Marketplace

Direct 401k operates a website for plan sponsors to have a direct resource to obtain a qualified plan with one of five nationally recognized providers. Once selected, the plan sponsor will engage Direct 401K's fiduciary services as outlined below.

Plan level e-Fiduciary Services



For retirement plan sponsor clients, Direct 401k provides fiduciary services through the operation of a technology-based service model, within the guidelines of an internet advisor, which is designed to mitigate or eliminate fiduciary liability attributed to plan sponsors under Employee Retirement Income and Securities Act ("ERISA") Code Sections 3(21) and 3(38).

ERISA requires plan sponsors to select and monitor plan investment options in the same manner as persons familiar with generally accepted investment theories and prevailing investment industry practices. If plan fiduciaries lack the ability to properly select and monitor plan investment options, they are required to engage knowledgeable advisors. DOL Regulation §2509.95-1(c)(6) states, in relevant part, that, "unless fiduciaries possess the necessary expertise to evaluate such factors, they would need to obtain the advice of a qualified, independent expert."

Direct 401k, or its designated investment manager, creates a customized investment policy statement for each e-Fiduciary client. In addition, Direct 401k utilizes a technology platform which (1) receives plan investment option information directly from the plans' record keepers, and (2) automates the process whereby (a) plan investment option information is cross-referenced with investment analytics criteria and the plans' investment policy statements, (b) the appropriateness of plan investment options is determined, and (c) discretion may be exercised to effectuate any recommendations resulting from the plan investment option review.

Direct 401k, through the technology platform they utilize, receives plan investment option information electronically according to each record keeper's data download schedules, but in no case less frequently than quarterly. Likewise, Direct 401k engages plan investment option review as needed in response to events impacting the financial and/or geopolitical markets, but in no case less frequently than quarterly.

Direct 401k provides, through the technology platform they utilize, a quarterly electronic communication to each e-Fiduciary client that confirms that the plan investment option review resulted in either (1) a recommendation to maintain the existing plan investment options, or (2) a recommendation to replace one or more of the plan investment options with an alternative investment. Should the investment option review result in the latter recommendation, (1) in the case of clients utilizing 3(21) fiduciary services, the client is notified of the same; and, (2) in the case of clients utilizing 3(38) fiduciary services, both the e-Fiduciary client and the recordkeeper are notified that Direct 401k will use its discretionary authority to effectuate a trade, effectively selling the plan investment option which is no longer appropriate and purchasing an alternative investment. Upon completion of such recommended transaction, the inappropriate plan investment option may be removed from the plan and no longer available for investment by the plan's participants.

Direct 401k's e-Fiduciary clients are able to effectively demonstrate, and document, that the selection and monitoring of their plan's investment options are performed by a qualified and independent expert.

Direct 401k services are provided in accordance with an Investment Advisory Agreement ("Agreement") executed between Direct 401k and each plan sponsor client. A sample Agreement, including fee schedules, is available on the Direct 401k website and can be delivered to the e-Fiduciary client electronically as required and/or requested. If Form ADV is delivered less than two days prior to the execution of the Agreement, the e-Fiduciary client may terminate the Agreement within five (5) business days without penalty. The Agreement may be terminated at any time upon thirty (30) days written notice.

Auto-IRA eAdvisory Services

For IRA clients, Direct 401k, d/b/a Direct IRA, provides fiduciary services through the operation of a technology-based service model for Auto-IRA's not subject to ERISA. These services are only offered to participants of an employer sponsored IRA program. These services are offered via a technology based model and constitute client relationships as defined by internet advisor guidelines.

Direct 401k, through its technology partners and designated investment managers, creates an investment policy statement for employers offering an Auto-IRA. In addition, Direct 401k utilizes a technology platform which (1) receives investment option information directly from the record keepers, and (2) automates the process whereby (a) investment option information is cross-referenced with investment analytics criteria and the investment policy statements, (b) the appropriateness of investment options is determined, and (c) discretion may be exercised to effectuate any recommendations resulting from the investment option review.

Direct 401k, through its technology partner, receives investment option information electronically according to each record keeper's data download schedules, but in no case less frequently than quarterly. Likewise, Direct 401k engages investment option review as needed in response to events impacting the financial and/or geopolitical markets, but in no case less frequently than quarterly.

Direct 401k provides a quarterly electronic communication to each Auto-IRA client that confirms that the investment option review resulted in either (1) a recommendation to maintain the existing investment options, or (2) a recommendation to replace one or more of the investment options with an alternative investment. Should the investment option review result in the latter recommendation, both the Auto-IRA client and the record keeper are notified that Direct 401k, or their designated investment manager, will use its discretionary authority to effectuate a trade, effectively selling the investment option which is no longer appropriate and purchasing an alternative investment. Upon completion of such recommended transaction, the inappropriate investment option may be removed and no longer available for investment.

Direct 401k services are provided in accordance with an Investment Advisory Agreement ("Agreement") executed between Direct 401k and each Auto-IRA client. A sample Agreement, including fee schedules, is available on the Direct 401k website and can be delivered to the Auto-IRA client electronically as required and/or requested. If Form ADV is delivered less than two days prior to the execution of the Agreement, the Auto-IRA client may terminate the Agreement within five (5) business days without penalty. The Agreement may be terminated at any time upon thirty (30) days written notice.

Model Portfolios

Direct 401k, or its designated investment manager, constructs strategic asset allocation model portfolios for use by its clientele. The Model Portfolios are constructed using a static target risk or an adaptive target maturity/date risk methodology, from which Direct 401k, or its designated investment manager, may deviate in its sole discretion. Rebalancing of the Model Portfolios is considered on a quarterly basis, and strategic asset allocation targets are reevaluated on an annual basis. Model Portfolios can be populated by, without limitation, the following types of investments: exchange traded funds, mutual funds, collective trusts.

Item 5 Fees and Compensation

Direct 401k's fees are documented in the Agreement between Direct 401k and each client. Direct 401k's fees are calculated quarterly, or in some cases monthly, and paid in arrears. Fees will be (1) deducted directly from retirement plan and/or IRA assets; or (2) may be billed directly to each client on an exception basis.

Plan Level Investment Management fees under Section 3(38) are calculated based upon a percentage of assets under advisement and range from 5 to 10 basis points (5/100-10/100 of 1%)

Model Portfolio Management fees are calculated based upon a percentage of assets under advisement and range from 10 to 25 basis points (10/100-25/100 of 1%) depending upon the type and function of selected portfolios.

Fees as outlined above for eFiduciary plan level services and eAdvisory Auto-IRA services are the same for both fiduciary investment oversight and portfolios respectively.

Mutual Fund Fees. All fees paid to Direct 401k are separate and distinct from the fees and expenses charged by mutual funds and or exchange-traded funds ("ETF") to their shareholders. These fees and expenses are described in each fund's prospectus and will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund imposes sales charges, the shareholder may pay an initial or deferred sales charge. A client can invest in a mutual fund or ETF directly, without Direct 401k's services. In such case, the client would not receive the services provided by Direct 401k which are designed to assist the client in determining which plan investment options are most appropriate for their specific financial condition and objectives. Accordingly, clients should review both the fees charged by the funds and Direct 401k's fees to fully understand the total amount of fees to be paid by the client and thereby evaluate Direct 401k's services.

Additional Fees and Expenses. In addition to Direct 401k's fees, clients are also responsible for the fees and expenses charged by custodians and imposed by broker-dealers including, but not limited to, any transaction charges imposed by a broker dealer with which an independent investment manager effects transactions for the clients' account(s). As disclosed in Brochure Item 10, a related person is separately registered as a registered representative of a broker-dealer, and an investment adviser representative of another registered investment adviser, for which the related person may receive separate, yet customary, compensation. Please refer to Item 10 for a detailed explanation of these relationships and important conflict of interest disclosures.

ERISA Accounts. Direct 401k, and/or its designated investment managers, is deemed to be a fiduciary to clients that are employee benefit plans or individual retirement accounts pursuant to ERISA, and regulations under the Internal Revenue Code of 1986 ("Code"), respectively. As such, Direct 401k is subject to specific duties and obligations under ERISA and the Code that include, among other things, restrictions concerning certain forms of compensation. To avoid engaging in prohibited transactions, Direct 401k may only charge fees for investment advice about products for which Direct 401k

and/or its related persons do not receive any commissions of 12b-1 fees or, conversely, investment advice about products for which Direct 401k and/or its related persons receive commissions or 12b-1 fees but only when such fees are used to offset Direct 401k's fees.

Advisory Fees in General. Clients should note that similar services may (or may not) be available from other registered (or unregistered) investment advisers for similar fees.

Item 6 Performance-Based Fees and Side-by-Side Management

Direct 401k does not charge performance-based fees.

Item 7 Types of Clients

Direct 401k provides advisory services to employer-sponsored defined contribution plans and employer-sponsored employee payroll deduction Individual Retirement Accounts.

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

Direct 401k uses the following methods of analysis for investment selection, monitoring criteria, and recommendations:

Quantitative Analysis. Direct 401k, or its designated investment manager, uses mathematical models in an attempt to obtain more accurate measurements of a fund's quantifiable data, such as historical performance and risk relative to peer group, and predict changes to that data.

A risk in using quantitative analysis is that the models used may be based on assumptions that prove to be incorrect.

Qualitative Analysis. Direct 401k, of its designated investment manager, subjectively evaluates non-quantifiable factors such as quality of management and strength of research and development factors not readily subject to measurement, and attempts to predict changes to share price based on such data.

A risk in using qualitative analysis is that Direct 401k's, or its designated investment manager's, subjective judgment may prove to be incorrect.

Mutual Fund and/or ETF Analysis. Direct 401k, or its designated investment manager, analyzes the experience and track record of the manager of mutual funds and ETF's in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. Direct 401k, or its designated investment manager, reviews and compares the underlying assets in clients' plan investment options in an attempt to determine if there is significant overlap in the underlying investments. Direct 401k, or its designated investment manager, monitors the mutual funds and ETFs in an attempt to determine adherence to stated investment strategy.

A risk of mutual fund and/or ETF analysis is that, as in all securities investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. In addition, as Direct 401k, or its designated investment manager, does not control the underlying investments in a mutual fund or ETF, managers of different investment held by clients may purchase the same security, increasing the risk to clients if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the mutual fund or ETF, which could make the holding(s) less suitable for the client's portfolio.

Risk for all Forms of Analysis. Direct 401k's, or its designated investment manager's, securities analysis methods rely on the assumption that companies' securities, the rating agencies that review these securities, and other publicly-available sources of information about these securities are providing accurate and unbiased data. While Direct 401k is alert to indications that data may be incorrect, there is always a risk that analysis may be compromised by inaccurate or misleading information.

Item 9 Disciplinary Information

Direct 401k is required to disclose any legal or disciplinary events that are material to clients' or prospective clients' evaluation of Direct 401k's advisory business or the integrity of Direct 401k's management.

Direct 401k and its management persons have no reportable disciplinary events to disclose.

Item 10 Other Financial Industry Activities and Affiliations

Direct 401k's President, Claiborne Barksdale Morton, III, is a registered representative and investment adviser representative of Raymond James Financial Services, Inc., and in such separate capacities, as a retirement plan consultant, can effect securities transactions for which he may receive separate, yet customary, compensation.

Clients should be aware that in the event of receipt of additional compensation by Direct 401k, its management persons, and/or employees, a conflict of interest may impair the objectivity of Direct 401k and/or such individuals when making advisory recommendations. Direct 401k has taken the following steps to address this potential conflict:

- Direct 401k discloses to clients the existence of all material conflicts of interest, including the potential for Direct 401k, its management persons, and/or employees to earn compensation from clients in addition to advisory fees;
- Direct 401k discloses to clients that they are not obligated to purchase recommended investment products from Direct 401k, its management persons, and/or employees;
- Direct 401k collects, maintains, and documents accurate, complete and relevant client background information, including clients' financial goals, objectives, and risk tolerance;
- Direct 401k's management conducts regular reviews of each client account to verify that all recommendations made to clients are suitable;
- Direct 401k requires that its management persons and employees seek prior approval of any outside employment activity so that Direct 401k may ensure that any conflicts of interests in such activities are properly addressed;
- Direct 401k periodically monitors its management persons' and employees' activities to verify that any conflicts of interest continue to be properly addressed;
- Direct 401k educates its management persons' and employees' regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to clients.

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

Direct 401k has adopted a Code of Ethics which sets forth high ethical standards of business conduct required by Direct 401k, its management persons, and employees, including compliance with applicable federal and state securities laws.

Direct 401k, its management persons, and employees owe a duty of loyalty, fairness, and good faith towards its clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics, but also to the general principles that guide the same. Direct 401k's Code of Ethics includes policies and procedures for the review of quarterly securities transaction reports, and initial/annual securities holdings reports that must be submitted by Direct 401k's access persons. Direct 401k's Code of Ethics requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. Direct 401k's Code of Ethics also provides for oversight, enforcement, and recordkeeping provisions.

Direct 401k's Code of Ethics includes a policy prohibiting the use of material non-public information. While Direct 401k does not believe that it has any particular access to non-public information, all management persons and employees are reminded that such information may not be used in a personal or professional capacity.

As disclosed in the preceding section of this Brochure Item 10, a related person is separately registered as registered representative of a broker-dealer and investment adviser representatives of another registered investment adviser. Please refer to Item 10 for a detailed explanation of these relationships and important conflict of interest disclosures.

A copy of Direct 401k's Code of Ethics is available to clients and prospective clients upon request by calling (866)-318-4015, via email to team@Direct401k.com, and on Direct 401k's website www.Direct401k.com

Item 12 Brokerage Practices

Direct 401k does not have any soft-dollar arrangements and does not receive any soft-dollar benefits.

Item 13 Review of Accounts

Direct 401k, or its designated investment manager, will review any Investment Policy Statement whenever it is advised of a change in a client's circumstances, needs, and/or objectives of the client. In addition, Direct 401k's President, or his designee, engages investment reviews as needed in response to events impacting the financial and/or geopolitical markets, but in no case less frequently than quarterly.

Item 14 Client Referrals and Other Compensation

Direct 401k may engage solicitors or pay related or non-related entities for referring potential clients. In no circumstance does this constitute an additional fee to clients.

Direct 401k does not accept or allow its related persons to accept any form of compensation, including cash, sales awards or other prizes, from a non-client in conjunction with the advisory services provided to Direct 401k's clients.

Item 15 Custody

Direct 401k does NOT have actual or constructive custody of client accounts.

Item 16 Investment Discretion

Direct 401k, or its designated investment managers, may accept discretionary authority to manage plan investments on behalf of its clients, which enables Direct 401k to effectuate trades in clients' accounts with prior approval by the clients. Discretionary authority includes the ability to determine the investments to be utilized by the plan or IRA, and the corresponding allocations when portfolio services are engaged.

Item 17 Voting Client Securities

Direct 401k does not vote proxies on behalf of its clients. Therefore, although Direct 401k may provide investment advisory service relative to clients' investments, clients maintain exclusive responsibility for: (1) directing the manner in which proxies

solicited by issuers of securities beneficially owned by clients shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to clients' investments. Clients are responsible for instructing each custodian to forward to the client copies of all proxies and shareholder communications relating to clients' investment.

Direct 401k does not offer any advisory or consulting assistance to its clients regarding proxy issues.

Item 18 Financial Information

As an advisory firm that maintains discretionary authority, Direct 401k is required to disclose any financial condition that is reasonable likely to impair its ability to meet its contractual obligations; Direct 401k has no such financial condition to report.

Under no circumstances does Direct 401k require or solicit payment of fees in excess of twelve hundred dollars (\$1,200) per client more than six months in advance of services rendered and, as such, Direct 401k is not required to disclose its financial statements.

Direct 401k has not been the subject of a bankruptcy petition at any time during the past ten years.