

## Firm Brochure

(Form ADV Part 2)



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This brochure provides information about the qualifications and business practices of Foresters Equity Services, Inc. If you have any questions about the contents of this brochure, please contact us at (858) 550-4844 ext. 4866, or by email at [jgil@forestersequity.com](mailto:jgil@forestersequity.com). 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.

Foresters Equity Services, Inc. is a registered investment advisor. Registration does not imply any level of skill or training.

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

March 13, 2015

## **Item 2 – Material Changes**

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This brochure is dated March 13, 2015. This section is intended to point out material changes that are made to the brochure between annual updating amendments each March. The date of our last annual update was March 11, 2014.

Changes to this brochure include:

- Updated the level of assets under management (See Item 4)
- Included the option for client's to pay fees for financial planning and consulting services in advance (See Item 5)
- Expanded the list of third party investment advisory firms offering management services (See Item 10)

### **Item 3 – Table of Contents**

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## **Item 4 – Advisory Business**

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Foresters Equity Services, Inc. (“Advisor”) was founded in 2008 and is an investment advisor registered with the U.S. Securities and Exchange Commission that uses the marketing name Foresters Equity. Registration as an investment advisor does not imply any level of skill or training. Foresters Equity Services, Inc. is also a registered broker-dealer. For clarity in this brochure, we will refer to Foresters Equity Services, Inc., as Foresters Equity when acting in the capacity as a broker-dealer and as the Advisor when acting in the capacity as an investment advisor.

The Advisor is wholly owned by Foresters, an Independent Fraternal Benefit Society and an insurance company.

### **Third Party Money Management**

The Advisor refers clients to third party investment advisory firms for management services. Investment advisor representatives (“IARs”) of the Advisor provide investment advice that is tailored to the individual needs of the client. The IAR will assist the client in determining his/her investment objective for the account, and recommend an appropriate portfolio or management style offered by the third party advisor. The third party advisor will buy and sell mutual funds, exchange traded funds (“ETFs”), or variable annuity subaccounts in the client’s account on a discretionary basis. This means that the third party advisor does not have to obtain the client’s approval prior to each transaction. Neither Advisor nor the IAR have any discretionary authority over the accounts managed by the third party advisor. The client should refer to the firm brochure for the third party advisor for further information about the services offered by the third party advisor, as well as whether or not the third party advisor will permit the client to impose reasonable restrictions on the investments selected within the account.

The Advisor refers clients to a number of third party advisors, including, but not limited to, Flexible Plan Investments, AssetMark (formerly Genworth Financial Management), ITS Asset Management, SEI, Curian Capital, and Beacon Capital Management. In some cases the Third-Party Advisor may ‘private-label’ their offering and products for the Advisor. However, all decisions about the advisory platform remain the responsibility of the third-party and not of the Advisor. The Advisor will refer clients to third party money managers registered or authorized to conduct business in states where clients reside.

The client will be required to enter into an investment advisory agreement and other account paperwork with the third party advisor in order to establish a management relationship. The client should refer to such documentation for further information regarding the services offered by the third party advisor.

### **Advantage**

The Advisor also offers the Advantage program sponsored by Southwest Securities, Inc. (“Southwest”), an investment advisor, through which the Advisor will provide non-discretionary investment advice that is tailored to the needs of the client. The IAR will assist the client in

determining his/her risk tolerance and investment objective for the account through completion of a client profile. The IAR will also assist the client in selecting a taxable or non-taxable asset allocation model for the account. Based upon the goals of the client and the asset allocation model selected, the IAR will recommend investments for the client. These investments may include no-load or load-waived mutual funds, ETFs, and cash or cash equivalents. The client will be responsible for selection of the investments in the account. Southwest will then periodically rebalance the assets in the client's account on an as needed basis in order to maintain the client's target asset allocation among investments.

In addition to acting as an investment advisor for the Advantage program, Southwest provides custodial, brokerage and administrative services to the client within the program. The client will be required to enter into a brokerage agreement with Foresters Equity and Southwest, and an investment advisory agreement with Southwest and the Advisor in order to establish a management relationship. The client should refer to the Southwest firm brochure and the client agreement for further information regarding the Advantage program. Please note that the Advantage program is not offered in Maryland.

### **Financial Planning and Consulting Services**

The Advisor, through its IARs, provides financial planning and consulting services consistent with client's financial and tax status, risk profile and investment objective. These services are provided based on the individual needs of the client and commence after meeting with and collecting information from the client regarding his/her financial situation, goals and objectives. The services may include some or all of the following areas as appropriate and agreed to between the client and IAR.

- Retirement Planning – This service involves the review of assets and availability of funds to invest along with ownership of property and current cash flows. This review also looks at time lines and the cash needs for family over the mid and long term.
- Estate Planning – Depending on the age of the client, the review of assets and liabilities for purposes of estate planning may be appropriate. This also includes a review of appropriate titling of assets, distribution and estate techniques that are designed to reduce taxes, as well as the consideration of the role that gifting and trusts would play in a comprehensive estate planning strategy.
- Insurance Planning - Client insurance needs would be assessed across the full array of insurance products including life, medical, health, disability, property and casualty, vehicle, and long-term care. This planning and advice would require determination of the client's risk tolerance balanced against their perceived insurance needs and available cash flow.
- Investment Planning – This service would cover advice on asset allocation, funding choices and income allocation techniques. The client's current investments and available investable income in combination with the economic and tax characteristics of existing investments would be reviewed as part of this process. Tax consequences and their implications are identified and evaluated in general terms.
- Budgetary Structuring – The IAR may be in a position to recommend techniques or strategies for consolidation of the client's financial situation so that the client can achieve

some of the desired financial planning goals. Such strategies would be directed at cost savings and better financial planning of current cash flows.

It is important to note that Advisor does not render any legal, accounting, or tax advice when providing financial planning services. The client is responsible for engaging other professionals (e.g., attorneys, accountants, tax advisors, etc.) directly when needed.

Results of the analysis or review may be provided verbally or in a written financial plan or analysis. The Advisor may make general recommendations as to the types of investments that may be appropriate for client to consider, and the Advisor may also provide specific investment recommendations.

Financial planning services offered by Advisor conclude upon delivery of the plan, analysis or review. The services do not include implementation of any investment recommendations.

### **Assets under Management**

As of December 31, 2014 the Advisor manages approximately \$7,415, 000 in assets on a non-discretionary basis within the Advantage program and certain third party money management programs for which Advisor acts as an investment advisor.

In addition, Advisor also provides investment advice on approximately \$57,887, 000 in assets for third party advisors where Advisor acts in a referral capacity only.

### **Item 5 – Fees and Compensation**

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The amount of advisory fees will be disclosed prior to services being provided and agreed upon in the appropriate investment advisory agreement. The Advisor will not charge advisory fees of more than \$1,200 in fees more than six months in advance.

### **Third Party Money Management**

The client in a third party money management program will pay an annual advisory fee as set forth in the investment advisory agreement for the third party advisor. The advisory fee includes the fee paid to the third party advisor, and the referral fee paid to the Advisor. The fee paid to the Advisor is negotiated with the client and generally ranges from .85% to 1.55%. The third party advisor may also pay a portion of the fee it receives as compensation to other parties providing services to the client on its behalf. The advisory fee may be payable in advance or in arrears, as determined by the third party advisor.

Client may also incur certain charges imposed by third parties other than Advisor in connection with investments made through an account depending upon the type of investment made and the type of account. These charges are separate from and in addition to the advisory fee. The Advisor does not receive any portion of these fees. These charges include, but are not limited to, the following:

- Mutual funds – mutual fund 12b-1 fees, mutual fund management fees and administrative expenses, mutual fund transaction fees and redemption charges (if applicable) and deferred sales charges on previously purchase mutual funds transferred into the account for management. All fees and expenses charged by a mutual fund are described in the prospectus for the mutual fund
- Variable annuities – mortality, expense and administrative charges, fees for additional riders purchased by client on the contract, and charges for excessive transfers within a calendar year if imposed by the variable annuity sponsor. All fees, sales charges, and expenses charged by a variable annuity company are described in the prospectus for the variable annuity
- Certain retirement accounts – IRA and qualified retirement plan fees
- Certain trust accounts – administrative servicing fees for trust accounts
- Sweep money market funds and cash balances – 12b-1 fees or other fee based on average daily deposit balances
- Other charges required by law and imposed by the executing broker-dealer or custodian

IARs are also typically separately registered as securities representatives of Foresters Equity. In this capacity, the IAR can sell mutual funds and variable annuities to client and receive compensation in the form of commissions and 12b-1 fees or trails. While only no-load and load-waived mutual funds will be invested in within third party managed accounts, variable annuities may be purchased which will result in the payment of a commission to the IAR in his/her capacity as a registered representative. This presents a conflict of interest and provides an incentive for the IAR to recommend a variable annuity based on the compensation to be received rather than on the client's needs. This conflict is addressed by providing disclosures to the client with respect to and at the time of each variable annuity purchase. In addition, the IAR and Advisor will not accept an advisory fee on variable annuity assets for a period of 12 months following the purchase of the variable annuity that resulted in a commission being paid to the IAR and Advisor. The Advisor reviews client portfolios and supervises client relationships to ensure compliance with the Code of Ethics.

Client will also pay fees to the custodian selected by the third party advisor or the client. These additional fees and charges will be set out in the firm brochure and/or investment advisory agreement for the third party advisor and/or in the custodial agreement signed by the client at the time the custodial account is opened.

Client should be aware that the fee for third party money management programs may be more or less than if the client obtained the services directly from the third party advisor or if the client obtained advisory services separately.

### **Advantage**

The maximum annual advisory fee is set forth below:

<u>Account Value</u>	<u>Annual Fee</u>
\$30,000-\$249,000	1.75%
\$250,000-\$499,000	1.50%

\$500,000-\$999,999	1.25%
Over \$1,000,000	1.00%

Advisory fees are billed quarterly in advance and calculated based on the closing market value of the assets in the account on the last business day of the preceding calendar quarter. Fees are negotiable. Southwest, as the qualified custodian for the Advantage program, is responsible for calculating and deducting all advisory fees from the program account. Southwest will receive between .15% and .20% of the advisory fee.

Client may also incur certain charges imposed by Southwest or other third parties other than Advisor in connection with investments made through an account depending upon the type of investment made and the type of account. These charges are separate from and in addition to the advisory fee. The Advisor does not receive any portion of these fees. These charges include, but are not limited to, the following:

- Mutual funds – mutual fund 12b-1 fees, mutual fund management fees and administrative expenses, mutual fund transaction fees and redemption charges (if applicable) and deferred sales charges on previously purchase mutual funds transferred into the account for management. All fees and expenses charged by a mutual fund are described in the respective prospectus for the mutual fund
- Certain retirement accounts – IRA and qualified retirement plan fees
- Certain trust accounts – administrative servicing fees for trust accounts
- Sweep money market funds and cash balances – 12b-1 fees or other fee based on average daily deposit balances
- Custodial fees and charges – miscellaneous administrative and custodial-related fees and charges, including other charges required by law

Client should be aware that mutual funds charge their own internal fees for investing the pool of assets in the mutual fund and such fees are separate from, and in addition to, the advisory fee charged in the program. As many of the mutual funds may be purchased directly, client could avoid the second layer of fees by making his/her own investment decisions and not participating in the Advantage program.

IARs are also typically separately registered as securities representatives of Foresters Equity. In this capacity, the IAR can sell mutual funds to client and receive compensation in the form of commissions and 12b-1 fees. However, such compensation will not be received by Advisor in connection with investments made in the Advantage program.

Upon termination, the client will be entitled to a prorated refund of the advisory fee based upon the number of days remaining in the quarter during which the account was terminated.

For additional information, refer to Item 12 – Brokerage Practices and the Southwest firm brochure and investment advisory agreement. Please note that the Advantage Program is not offered in Maryland.



## Financial Planning and Consulting Services

The Advisor charges for financial planning and consulting services on an hourly or fixed fee basis.

- Hourly Fees – The maximum hourly charge is \$150. The hourly rate is charged for clients who request specific limited consulting services that do not wish to receive a written financial plan. The hourly rate may be discounted at the discretion of the IAR after considering such factors as geographic region, the nature and tenure of the IAR and client relationship, and the complexity of the services to be provided. The client is encouraged to discuss the IARs typical hourly rate and whether or not the IAR is generally willing to discount the hourly rate for his/her clients. The fees are generally calculated and payable at the completion of each planning session, although in some cases they may be paid weekly, monthly, or periodically in arrears or in advance.
- Fixed Fees – The fee for a written financial plan will range from \$500 to \$5,000. The fee is subject to negotiation depending on the nature, scope and complexity of the plan, the client's net worth, the value of the client's investment accounts, special circumstances and the anticipated time involved in providing the client with the requested services. In most cases, the following fee schedule will be used:

\$500: Introduction to and review and assessment of client's financial condition with guidance on finances, limited to cash management and budgetary issues

\$1,000: Review and assessment of client's financial condition with guidance on finances as well as insurance issues including risk management for life, health, property, disability, and long term care.

\$2,500: Review and assessment of client's financial condition with guidance on finances, insurance issues and risk management, as well as an analysis of the client's investment portfolio, with details on retirement and estate planning. May include business planning if appropriate.

\$5,000: Review and assessment of financial condition for clients with an estate valued at greater than \$5 million. This level of service includes guidance on finances, including cash management and budgetary issues, insurance issues, as well as an analysis of the client's investment portfolio, with details on retirement and estate planning. This may also include business planning if appropriate.

Fixed fees for financial planning are payable as follows; half upon signing of the financial planning agreement up to a maximum of \$1,200 and the balance upon delivery of the written financial plan.

As stated above, the agreement for financial planning services terminates upon delivery of the plan, analysis or review. Either party may terminate the relationship upon 30 days written notice

to the other party. Upon termination, prepaid fees for uncompleted work shall be refunded to the client. Fees for services completed, but not yet billed, will be immediately due upon termination.

IARs are also typically separately registered as securities representatives of Foresters Equity. In this capacity, the IAR can sell mutual funds, variable annuities, and other insurance products to clients and receive compensation in the form of commissions and 12b-1 fees or trails. This presents a conflict of interest and provides an incentive for the IAR to recommend a mutual fund, variable annuity, or other insurance product based on the compensation to be received rather than on the client's needs. To address this conflict, clients are advised that they are under no obligation to use an IAR in this capacity for implementation of consulting or financial planning recommendations through Foresters Equity, and investment products may be purchased through other brokers not affiliated with the Advisor. The Advisor also conducts a review of all financial planning recommendations and has put in place a Code of Ethics that prohibits, and provides for supervision to detect, any conduct by the Advisor and its IAR that impairs the interest of the client.

The IAR may also offer investment advisory programs as described in this brochure to financial planning clients. This presents a conflict of interest and provides an incentive for the IAR to recommend such a program based on the compensation to be received rather than on the client's needs. To address this conflict, clients are advised that they are under no obligation to use an IAR to access the advisory programs recommended, such programs may be accessed through other advisory firms not affiliated with Advisor.

For additional information, refer to Item 12 – Brokerage Practices.

### **General Fee Information**

The Advisor is not representing that the services described in this brochure will be provided at the lowest cost available. The client may be able to obtain these services at a more favorable rate from another advisor.

The Advisor offers several different services detailed in this brochure, that compensate the Advisor and IAR differently depending upon the service or program selected. This presents a conflict of interest and provides an incentive for the IAR to recommend such a program based on the compensation to be received rather than on the client's needs. To address this conflict, the Advisor reviews client portfolios and supervises client relationships to ensure compliance with the Code of Ethics.

Commissions and other compensation for the sale of investment products recommended to clients is the primary form of compensation received by Advisor. This compensation is received by Advisor in its capacity as a broker/dealer.

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

This Item is not applicable as Advisor does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

## **Item 7 – Types of Clients**

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Advisor provides services to individuals, trusts, estates, charitable organizations, and corporations or business entities.

Third party advisors offering money management services may establish accounts minimums for obtaining services. Client should review the firm brochure for the third party advisor for specifics. The minimum account size for the Advantage program is \$30,000. In some cases, the minimum account size may be reduced or waived by the Advisor, or the third party advisor in the case of the third party money management programs.

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

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The third party advisor offering money management services will be responsible for determining the investment methodologies and strategies used for managing client accounts. These strategies may include long-term purchases and short-term purchases, but typically do not include frequent trading. In some cases the third party advisor may use global diversification in an attempt to control the risk associated with traditional markets. Client should refer to the firm brochure and investment advisory agreement for the third party advisor for further information.

Within the Advantage program, Southwest is responsible for determining the asset allocation models available for client selection. For information regarding the construction of the asset allocation models, client should refer to the Southwest firm brochure. The IAR is responsible for recommending the selection of mutual funds and/or ETFs to the client.

The IAR may use a fundamental or technical approach to analyzing mutual funds. Fundamental analysis means that the overall business is considered by reviewing a business' financial statements and financial health, its management and competitive advantages, and its competitors and markets. Technical analysis is an investment analysis discipline that attempts to forecast the direction of prices through the study of historical trends in past market data, primarily price and volume. Of course, past performance does not guarantee future results.

The mutual funds recommended within the Advantage program or used by a third party advisor in a money management account may include mutual funds investing in commodities, foreign currencies, real estate, international markets or emerging markets. Investments in international markets present special risks including currency fluctuations, the potential for diplomatic and political instability, regulatory and liquidity risks and foreign taxation among others. The risks of foreign investing are generally greater in emerging markets. The risks of investing in real estate include sensitivity to changes in real estate values and interest rates. The use of leverage, derivatives and short-selling will also add risk to the investment. For information on the risks associated with a particular mutual fund, the client should refer to the prospectus for the specific mutual fund selected.

The client will also receive a prospectus for any variable annuity that is purchased in connection with establishing money management services through a third party advisor. The client should

refer to the prospectus for the risks associated with the variable annuity and its subaccounts. In some cases, the riders purchased with a variable annuity may limit the subaccounts available for management.

The main sources of information used to conduct research include internet sources, financial newspapers and magazines, research materials prepared by others and annual reports prospectuses and filings with the Securities and Exchange Commission.

It is important to keep in mind that there is no specific approach to investing that guarantees success or positive returns; investing in securities involves risk of loss that clients should be prepared to bear.

In order to provide consulting and financial planning services, the IAR will first collect important information regarding the client's objectives, goals, and financial data. For more information regarding the areas of analysis covered, please refer to Item 4 – Advisory Business.

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

Registered investment advisors are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's evaluation of its advisory business or the integrity of the Advisor's management. The Advisor has no information applicable to this Item.

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

The principal business of Foresters Equity is as a securities broker-dealer, which is registered with the Securities and Exchange Commission and a member of the Financial Industry Regulatory Authority. The broker-dealer related activities generate the majority of the firm's revenues. Foresters Equity offers mutual funds and variable insurance products. IARs are typically registered representatives of Foresters Equity.

When acting as a registered representative, the IAR can sell securities to clients and receive normal and customary compensation in the form of commissions. Client's purchasing securities from an IAR will receive a prospectus and sign a new account form or other disclosure document when conducting such transactions. For more information, refer to Item 5 – Fees and Compensation.

In addition, the Advisor is a wholly-owned subsidiary of Foresters, which is a Fraternal Benefit Society and an insurance company. Foresters is a separate business entity fully engaged in the life insurance and fixed annuity business. The IAR may be appointed with Foresters to sell life insurance and may also be licensed with other insurance companies. When acting as an insurance agent, the IAR can sell insurance to clients and receive normal and customary compensation in the form of commissions. This presents a conflict of interest and provides an incentive for the IAR to recommend an insurance product based on the compensation to be received rather than on the client's needs. To address this conflict, clients that purchase insurance related products are informed that the IAR may be compensated at the time the product is accepted. In addition, the Advisor conducts a supervisory review of all insurance product sales.

The Advisor also has put in place a Code of Ethics that prohibits, and provides for supervision to detect, any conduct by the Advisor and its IAR that impairs the interest of the client. The purchase of insurance products is not required as a condition of other services offered.

The Advisor is under common control with First Investors Management Company, Inc. ("FIMCO"). FIMCO is an investment advisor to the First Investors Funds; registered mutual funds that are available to the public. First Investors Funds are available and may be purchased within certain third-party money-management platforms offered by Advisor. To the extent any of the First Investors Funds are offered by or purchased within an advisory program recommended by Advisor, FIMCO may receive compensation, including but not limited to, fund-level management fees. The Advisor does not receive any portion of this compensation within its advisory accounts.

As described elsewhere in this brochure, the Advisor refers clients to third party investment advisory firms for management services. As of the date of this Firm Brochure, the Advisor has relationships with the following third party advisors; Absolute Capital, AssetMark (formerly Genworth Financial Management), Atlas Capital Management, Beacon Capital Management, Brinker Capital, BTS Asset Management, Clark Lanzen Skalla, Curian Capital, Dunn Warren, Flexible Plan Investments, Interactive Financial Advisors, ITS Asset Management, Portfolio Strategies, PTS Asset Management, SEI and Southwest Securities. The Advisor receives a portion of the investment advisory fee paid by the client to the third party advisor for the referral. This referral fee from the third party advisory generally ranges from .85% to 1.55%. This presents a conflict of interest as the Advisor does not refer clients to other third party advisors that do not share the advisory fee. For further information, please refer to Item 4 – Advisory Business and Item 5 – Fees and Compensation.

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

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The Advisor has adopted a Code of Ethics which establishes standards of conduct for its supervised persons. The Code of Ethics includes general requirements that such supervised persons comply with their fiduciary obligations to clients and other applicable securities laws, and specific requirements relating to, among other things, personal trading, insider trading, conflicts of interest and confidentiality of client information. It requires supervised persons to report their personal securities transactions and holdings quarterly to the Advisor, and requires the Advisor to review those reports. Each supervised person receives a copy of the Code of Ethics and must acknowledge in writing having received the materials. Clients and prospective clients may obtain a copy of the Code of Ethics by contacting the Advisor.

Under the Code of Ethics, the Advisor and its officers and employees may invest personally in securities of the same classes as are purchased for clients and may own securities of the issuers whose securities are subsequently purchased for clients. This presents a conflict of interest. Fees and charges imposed by Southwest may be higher than the fees and charges that might be imposed by a discount broker/dealer. If an issue is purchased or sold for clients and any of the Advisor, its officers or employees on the same day purchase or sell the same security, either the clients and the Advisor, its officer or employee shall receive or pay the same price or the client

shall receive a more favorable price. The Advisor and its officers and employees may also buy or sell specific securities for their own account based on personal investment considerations, which the Advisor does not deem appropriate to buy or sell for clients. The Advisor reviews all personal trading by employees on a quarterly basis.

## **Item 12 – Brokerage Practices**

All trades in money management accounts are directed by and the responsibility of the third party advisor. The custodian and executing broker-dealer are selected by either the third party advisor or the client, as described in the firm brochure for the third party advisor. To the extent that the third party advisor requires the use of a specific custodian and executing broker-dealer, the client should understand that not all advisors require clients to direct brokerage. By directing brokerage to a specific custodian and executing broker-dealer, the client may be unable to achieve the most favorable execution of transactions. Therefore, directed brokerage may cost the client more money. In addition, it is possible that the fees and charges assessed by the broker-dealer could be higher than the fees and charges assessed by other broker-dealers.

Within the Advantage account, Southwest requires that client direct Southwest as the sole and exclusive broker-dealer to execute transactions. Foresters Equity has a relationship with Southwest for executing and clearing its broker-dealer transactions. This presents a conflict of interest. Client should also understand that not all advisors require clients to direct brokerage. By directing brokerage to Southwest, the client may be unable to achieve the most favorable execution of client transactions. Therefore, directed brokerage may cost the client more money. In addition, it is possible that fees and charges assessed by Southwest could be higher than the fees and charges assessed by other broker-dealers.

The Advisor may receive support services and/or products from Southwest due to its clearing relationship, which assist the Advisor to better monitor and service client accounts maintained at Southwest. These support services and/or products may be received without cost, at a discount, and/or at another negotiated rate, and may include the following:

- Investment related research
- Pricing information and market data
- Software and other technology that provide access to client account data
- Attendance at educational meetings
- General guidance and education

Client does not pay more for services as a result of this arrangement. There is no corresponding commitment made by the Advisor to Southwest to invest any specific amount or percentage of client assets as a result of this arrangement.

As the Advisor is not responsible for placing client trades, the Advisor is not involved in the decision as to whether or not to aggregate trades for execution. For information regarding whether or not trades are aggregated in a particular advisory program, refer to the firm brochure for the third party advisor of the money management program.

The financial planning services offered by the Advisor conclude upon delivery of the plan, analysis or review. The services offered do not include implementation of recommendations or any transactions. Client is under no obligation to implement the recommendations through IARs of the Advisor. The client is free to select any broker-dealer or investment advisor for implementation.

However, the IAR may suggest that the client implement recommendations provided as part of the financial planning services through an IAR in his/her capacity as a registered representative of Foresters Equity, in his/her capacity as an IAR, or through various insurance companies in his/her capacity as an insurance agent. If the client chooses to implement through this individual in one of his/her separate capacities, the individual would receive normal and customary commissions and/or fees resulting from the securities, advisory or insurance transaction. In the case of securities transactions, all such transactions must be processed through Foresters Equity because of the registered representative's licensing with Foresters Equity. Keep in mind that only mutual fund and variable annuity transactions may occur through a registered representative of Foresters Equity, and the commissions and/or fees for such investments are as set forth in the prospectus and do not differ based on which firm or individual is transacting the business. These commissions and/or fees are not discounted, and would be in addition to the financial planning fees previously paid by the client.

### **Item 13 – Review of Accounts**

Each advisory account is reviewed by a qualified principal of the Advisor upon account opening. In addition, each IAR reviews his/her client portfolios on a regular basis, but not less than quarterly. Reviews are also conducted by vice presidents and the chief compliance officer of the Advisor, or their designees, on a quarterly basis. Approximately 50 accounts are reviewed on a random basis through this process.

Accounts may also be triggered for review based on significant shifts in the market, changes in tax laws, new investment information, and changes in the client's financial or personal situation.

As stated above, the financial planning and consulting services terminate upon delivery of the plan, analysis or review. Thus, there are no ongoing reviews or reporting provided by the Advisor unless the client engages the Advisor for additional financial planning or consulting services.

Within the money management accounts offered by third party advisors, the client will generally receive an account statement from the custodian of client assets. The reporting provided by third party advisors is described in the firm brochure for the third party advisor.

Within the Advantage program, the client will receive a monthly account statement from Southwest as the custodian and executing broker-dealer for the account. In addition, Southwest will send out a comprehensive annual performance report to each client.

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

The Advisor receives referrals, which may come from current clients, attorneys, accountants, employees, personal friends of employees, and other similar sources. The Advisor does not compensate referring parties for these referrals. Likewise, the Advisor does not accept referral fees or any form of compensation from other professionals when a prospect or client is referred to the other professional.

As described throughout this brochure, the Advisor and its IARs receive referral compensation from third party advisors in connection with referring clients to the third party for money management services. This compensation includes a portion of the advisory fee and may also include other things of value offered by the third party advisor, including marketing payments to cover fees to attend conferences, reimbursement of expenses for workshops, educational seminars, or advertising or small gifts valued at less than \$100 annually. The amount of this compensation may vary by third party advisor. Therefore, there is a financial incentive for Advisor and its IARs to recommend that the client establish an account through one third party advisor over another. The Advisor takes its responsibilities to clients very seriously and will only recommend that clients establish a relationship with a third party advisor if it believes that the money management service being offered is appropriate and in the client's best interest.

#### **Item 15 – Custody**

The Advisor does not have custody of client funds or securities. Further, the Advisor does not act as trustee, provide bill paying services, have password access to control account activity, or any other form of controlling client assets. Custody for all advisory accounts is maintained by a qualified custodian. In the case of money management accounts managed by a third party advisor, the custodian is selected by the third party advisory or the client. In the case of the Advantage program, the custodian is Southwest Securities.

The client will receive account statements directly from the custodian on either a monthly or quarterly basis, as agreed upon between the client and the custodian. The Advisor encourages the client to carefully review the statements upon receipt for any discrepancies or inaccuracies. In some cases, the third party advisor or Southwest will also provide performance reports. The Advisor further encourages the client to compare the performance report to the account statements.

The IAR may provide the client with additional, customized reporting from time to time and upon request. This additional reporting does not take the place of the official statements provided by the custodian.

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

The Advisor does not have discretionary authority to purchase or sell securities on behalf of the client. The client will grant discretionary authority to the third party advisor providing money management services through execution of an investment advisory agreement.

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



The Advisor will not vote or advise the client how to vote proxies for securities held in the client's account. The client keeps the authority and responsibility for the voting of all proxies. Proxy information for any securities held in the client's account will be sent to the client by the custodian directly. The Advisor does not provide this information.

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

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

The Advisor does not have discretionary authority or custody of client funds or securities, nor accept prepayment of more than \$1,200 in fees per client six months in advance.