

Sound Financial Strategies Group Inc.

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Form ADV Part 2 Brochure

January 13, 2017

Form ADV Part 2 ("Brochure") is a very important document between the Clients and Sound Financial Strategies Group, Inc. This Brochure provides information about our qualifications and business practices.

This Brochure provides information about the qualifications and business practices of Sound Financial Strategies Group, Inc. If you have any questions about the contents of this Brochure, please contact Sound Financial Strategies Group, Inc. at 601-856-3825. 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 Sound Financial Strategies Group, Inc. is also available at the SEC's website www.adviserinfo.sec.gov (click on the link, select "investment adviser firm" and type in our firm name). Results will provide you both Part 1 and 2 of our Form ADV.

Sound Financial Strategies Group, Inc. is a registered investment adviser with the Securities and Exchange Commission. Sound Financial Strategies Group, Inc.'s registration as an investment adviser does not imply any level of skill or training. The oral and written communication provided to you, including this Brochure, is information you use to evaluate Sound Financial Strategies Group, Inc (and other advisers) which are factors in your decision to hire our firm or to continue to maintain a mutually beneficial relationship.

ITEM 2 - Material Changes

What is in this Current Brochure

This is the Sound Financial Strategies Group, Inc. Brochure dated March 31, 2017. This Brochure reflects the following changes from our most recent update of November 30, 2016.

- Changes are made throughout this Brochure to reflect the transition from being a dually registered Investment adviser with National Planning Corporation, “NPC”, to being a Registered Investment Advisor, “RIA”.
- “Client Referrals & Other Compensation” has been amended to include disclosure of existing loans both forgivable and repayable.

Future Filings

We may, at any time, update this Disclosure Brochure and either send you a copy or offer to send you a copy at no cost to you (either by electronic means (email) or in hard copy form).

How to Obtain a Current Brochure

If you would like another copy of this Disclosure Brochure, please download it from the SEC’s public disclosure website (IARD) www.adviserinfo.sec.gov, or you may contact Sound Financial Strategies Group, Inc.’s Compliance Department at 601-856-3825.

Sound Financial Strategies Group Inc

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ITEM 4 – Advisory Business

Sound Financial Strategies Group Inc. (“Sound Financial” and sometimes referred to herein as “us” or “we” or “our” as appropriate) is a SEC registered Investment Advisory firm with the following officers:

- Sammy T. Dean CFP®; Founding Partner
- Danny R. Matthews, CFP®; Founding Partner/Chief Compliance Officer
- Chris McAlpin, MBA, CMFC; Managing Partner
- Karl Simmons, CFE; Partner
- Joel R. Holden, Jr., CFP®, CMFC; Partner/Chief Operating Officer

We render investment advisory services for certain individual clients for taxable and tax exempt accounts, advisory services to mass affluent clients comprised primarily of families, small business owners, and professionals.

We do not offer tax or legal advisory services. You should seek outside counsel for these services.

Our services include the following:

Investment Management – We offer discretionary investment management services to clients through “Fee-Based Accounts.”

Investment Discretion. Generally, we exercise full investment discretion over our clients’ investment management accounts, including through Fee-Based Accounts. However, in some cases we do not exercise investment discretion and instead provide investment recommendations. If we do not exercise investment discretion, either you or a third party designated by you have full responsibility for investment decisions. If a client has special needs and/or restrictions on a portion of his/her portfolio, those special needs and/or restriction will be notated in the clients account. Such funds will be managed in line with the special needs and/or restrictions applicable to that portion of the account, and the full account will incur an advisory fee.

Types of Accounts. We offer the following types of investment management accounts described below:

Fee Based Accounts: Our Fee-Based Accounts offer clients personalized portfolio management services based on Model Portfolios which we create and manage. We assist clients with Fee-Based Accounts in selecting appropriate investments, monitoring results and making ongoing investment management changes or adjustments. Our investment advisory services take into account investment performance and any changes to your personal financial circumstances or goals. We maintain for our clients a portfolio of mutual funds, exchange-traded funds (“ETFs”), other equity, debt securities, and alternatives. Our Investment Committee meets periodically to review the following portfolios:

Conservative -- Seeks an allocation of mutual funds and exchange traded funds that aim to preserve capital with low volatility of the entire pool of assets. This portfolio is designed for clients who have a low tolerance for risk.

Moderate -- Seeks an allocation of mutual funds and ETFs that assist in providing long-term protection against inflation, while minimizing risk. This portfolio is designed for clients with a modest tolerance for risk but who want to maintain the purchasing power of their assets.

Moderate Growth -- Seeks an allocation of mutual funds and ETFs with growth potential and a moderate level of risk. This portfolio is designed for clients with a moderate risk tolerance, who desire growth of assets with an anchor to volatility.

Growth -- Seeks an allocation of mutual funds and ETFs that assist in achieving growth with a minimal emphasis on income. This portfolio is designed for clients with growth as their objective and who may have a longer time horizon and are willing to accept greater short-term potential volatility in exchange for higher long term potential returns.

Our representatives will obtain financial data from you and assist you in the identification of suitable investment objectives. We will base the recommended investment strategy on your specific goals and situation. In addition, we will contact you periodically (at least annually) to review your financial situation and goals. If we recommend that your account purchase mutual fund investments through the Model Portfolios, those recommendations will be based on research reports and analysis of mutual fund performance and managers and certain computerized and other models for asset allocation. If we recommend the purchase of other securities, our recommendation will be based on our research which includes publicly available research and reports.

We do not provide securities execution, custodial or other administrative services in connection with our Fee-Based Accounts. Instead, these services are provided by a third-party custodian. To establish a Fee-Based Account relationship, we will assist you in designating an appropriate third-party custodian and opening an account with that third-party custodian.

Financial Planning – We provide complimentary financial planning in connection with the Fee Based Account. We help the client identify cash flow needs for retirement and education needs, identifying sources of income whether investment, pension, social security or others.

Insurance – We may offer our clients various insurance products. Based on your phase of life or financial planning needs, our representatives may recommend general types of insurance products (fixed or variable) that are appropriate to the clients' situation.

The Assets We Manage

As of October 31, 2016, we managed approximately \$ 208,220,844 in assets for clients on a discretionary basis and managed approximately \$ 0 in assets for clients on a non-discretionary basis

ITEM 5 – Fees and Compensation

We are compensated in different ways depending on the types of services we provide. In the case of investment management services, typically clients pay fees that are based on a percentage of the assets managed by us. In some cases, the percentage (asset based) fees are negotiable, but generally are based on our standard fee schedule. Different fee schedules apply to different investment management services.

Clients maintaining accounts with us will incur transaction costs, fees, commissions and other charges and expenses in addition to the fees paid to us. In some cases, we and our employees may also receive fees and compensation that are in addition to the fees paid directly by the client, including from mutual funds or similar funds, affiliates, and third-party providers.

Fees Applicable to Investment Management Accounts

Fee-Based Accounts

Fee Schedule Applicable to Fee-Based Accounts. The annual investment advisory services fee is a percentage of assets in the account. The standard fee schedule is as follows:

Client Assets Managed		Fee (In basis points)
The First	\$499,999.99	144
The Next	\$499,999.99	138
The Next	\$499,999.99	40
Above	\$1,500,000	30

Based on the size and complexity of a client's investment portfolio, we may provide each client with different levels of service customized to meet the client's individual needs. In addition, fees are negotiable in our discretion. We also reserve the right to "Grandfather" (not increase or decrease) fees applicable to accounts acquired from other advisory firms.

Fee Billing.

On a regular basis our investment advisory services fees are paid quarterly in advance based on the average daily value of all accounts in the household; multiply the annual fee times this value, times the percentage of days of the year in the current quarter. This amount is invoiced and debited on or about the 15th day of the month following the end of the calendar quarter. However, if management of the account commences on a day other than the first business day of a calendar quarter fees are processed in the following manner.

- i.) If the inception of the deposit is within month 1 or 2 of any quarter, using the date of inception, the number of days remaining in the quarter is calculated. The annual fee rate is then applied to the household value and the percentage of the quarter remaining. This amount is invoiced and debited on or about the 15th day of the month following the inception.
- ii.) If the inception of the deposit is within the last (or 3rd) month of the quarter, the same computation method as above is used. However, this fee will be added to the next full

quarterly billing cycle and be invoiced and debited on or about the 15th day of the following month.

Fees will be deducted directly from the account. Clients do not have the option of paying by check.

Our asset-based fees apply to all assets in the client's account, including assets invested in shares of mutual funds, ETFs, other equity, debt securities, and money market mutual funds (and other cash equivalent investments). Assets invested in mutual funds, ETFs and money market funds (or other cash equivalent investments) also charge their own management fees and are subject to additional fees, charges and expenses.

Other Fees and Charges. In addition to the investment management fees paid to us, clients will incur other fees, charges and expenses. Additional fees, charges and expenses will include:

Mutual Fund and Similar Commissions and Expenses. Fee-Based Accounts will not incur front-end or deferred sales charges in connection with the purchase of mutual funds, ETFs and similar registered pooled investment vehicles companies. However, typically your account will incur a commission in connection with the purchase or sale of an ETF and such commission will be paid from the assets of your account. Also, all mutual funds, ETFs and similar funds purchased (including money market mutual funds used for investment of cash balances) will have ongoing expenses that will impact the return received by your account. These ongoing expenses may include management fees, distribution expenses, 12(b)(1), shareholder servicing, administrative service and similar fees. Fund charges and expenses are subject to change. A detailed explanation of fund fees and expenses is contained in each fund prospectus. Clients should carefully read each fund's prospectus. In some cases, the investment of assets in mutual funds, ETFs and other funds will result in the receipt of additional compensation by us or our affiliates.

Brokerage and Custodian Fees and Charges. Fee-Based Accounts will incur fees, commissions, charges and expenses of the custodian or clearing broker and any introducing broker. These fees, commissions, charges and expenses are established by the custodian, clearing broker or introducing broker, as applicable, and are subject to change. Upon your request, we will provide you with the applicable custodian commissions and/or fee schedule applicable to your account. In addition, the client will incur all applicable brokerage commissions, transaction charges, exchange fees, SEC fees, wire transfer charges, transfer taxes, electronic fund processing fees and other expenses associated with the transactions within the client's account.

Additional Compensation. We and our representatives receive certain fees and other compensation in addition to the fees we charge to your account for investment management services. Our investment advisory services fees are not reduced by the amount of the additional fees and other compensation received by us or our representatives. This presents a conflict of interest and gives us or our representatives an incentive to recommend investment products based on the compensation received, rather than on a client's needs.

- If you open your Fee-Based Account with securities previously purchased through an introducing broker (including NPC), or one of our representatives, you may already have paid a commission on the purchase to the introducing broker or to our representative, or

both. Similarly, if you open your Fee-Based Account with cash proceeds from the sale of securities through an introducing broker or our representative, the introducing broker or our representative, or both, may have already received commissions of the sale.

- Some of the mutual funds, ETFs, and similar funds purchased for Fee-Based Accounts pay financial intermediaries 12b-1 fees and certain other types of fees and compensation. Any 12(b) (1) fees received in connection with the investment of a Fee-Based Account will be credited back to the affected Fee-Based Account. However, other forms of fund-related compensation (for example, shareholder servicing fees, administrative service and similar fees and revenue-sharing or similar compensation paid by the fund's distributor or adviser/manager) by virtue of investment of the assets of your account in mutual funds, ETFs, or similar funds will be retained.

Clients obtain investment products we recommend for our Fee-Based Accounts through brokers or other custodians that are not affiliated with us.

Changes in Our Fee Schedule. Prior to changing the investment management fees applicable to your Fee-Based Account, we will provide you with written notice that will specify the date when the change will take effect. The change will take effect automatically on the date specified in the notice, but you may terminate your account by written notice to us and a pro-rata refund of any unearned fees will be remitted to you.

We are not obligated to give you notice of changes in any fees or charges of third parties, including the custodian or mutual funds purchased for your account.

Account Termination. Either you or we may terminate the Fee-Based Account relationship at any time upon written notice as provided in your investment management agreement with us. If you or we terminate the account, we will prorate our investment management fees and the unused portion will be returned to you. We will have no obligation to recommend or take any actions with regard to the securities, cash or other investments in a terminated account, but we may, at our option, assist you in liquidating assets and in effecting the transfer of assets to a new custodian designated by you.

ITEM 6 – Performance Based Fees and Side-By-Side Management

We do not charge advisory fees based on a share of capital gains or capital appreciation of the funds or securities in a client account (so-called performance based fees). Advisory fee compensation is charged only as disclosed above (Fees and Compensation).

ITEM 7 – Types of Clients

We provide services to, among others:

- Individuals
- Small Business Owners
- Trusts, estates and charitable organizations

- Not for profit entities

In the case of investment management accounts, the minimum investment portfolio size is \$50,000, but in some cases we will permit a client to aggregate related accounts or are willing to accept a lower minimum. However, we have full discretion to allow or not allow exceptions.

To establish a Fee-Based Account relationship, you must designate a third-party custodian, with which we Sound Financial has a working relationship. We will assist you with establishing and opening.

ITEM 8 – Methods of Analysis, Investment Strategies, and Risk of Loss

Investing in securities of any kind involves risk of loss that clients must be aware of and prepared to bear.

To help target clients' specific investment requirements, we use various portfolio enhancement Teams to develop model portfolios. Our portfolios teams uses a various processes in constructing and maintaining the model portfolios which consist of (a) strategic asset allocation, (b) tactical model selections, (c) Fund selection and implementation, and (d) ongoing monitoring and reallocation within the model portfolios.

Strategic Asset Allocation.

Our teams systematically evaluate various asset classes for use in our portfolios. We look at historical returns, risk and volatility as well as the correlation of each asset class relative to each another. The goal is to create well-balanced, diversified portfolios that are not overly dependent on any one asset class for returns.

Tactical Model Selections.

We employ a rules-based, systematic tactical model to rotate the allocations to each asset class. The model attempts to increase allocations to growth asset classes when they are performing well and reduce investments in fixed income & alternatives. When volatility increases and growth asset classes decline, the model will reduce allocations to the growth assets and increase investments in fixed income & alternatives. While this may hurt performance over a shorter-term horizon, we feel that over full market cycles this is the best way to participate in advancing markets while also preserving capital and reducing volatility when markets decline.

Fund Selections. Our Teams select Funds based on its assessment of the combination of Funds that will most effectively and efficiently help achieve the model portfolio's objective. The selection of Funds employs a research methodology consisting of analysis of statistical data related to the risk/return tradeoff, taking into the Fund's behavior through various market cycles. The process is complemented by a review of the Fund Company, Fund managers/management teams and their philosophies.

Monitoring and Reallocation.

The models are updated on an ongoing basis to reflect the current conditions of the underlying investments. If the models indicate that a change is to be made, it is implemented to bring client accounts into line with the allocations indicated by the models.

Investment Strategies

We and our client develop a target asset allocation based on the client's individual income needs and risk tolerance. We evaluate existing investments taking into account their suitability for client's stated objectives.

Based on the information concerning the client's individual financial situation and risk tolerance and our analysis of the other tools and information available to us, we assist the client to determine their investment objective. Where appropriate, we recommend that the client's assets be invested through identified portfolios available under our Fee-Based Account program.

Risk of Loss

All investments in securities include a risk of loss of a client's principal (invested amount) and any profits that have not been realized (the securities were not sold to "lock in" the profit). Stock markets and bond markets fluctuate substantially over time. In addition, performance of any investment is not guaranteed. As a result, there is a risk of loss of the managed assets.

Our investment approach takes into consideration the potential risk of loss and seeks to match the investment strategy employed for you with your tolerance for potential fluctuations in markets and incurring losses. There is no guarantee that our investment strategies will meet your objectives or, in any event, protect your assets from the potential for losses. Depending on the types of securities you invest in, you may face the investment risks described below:

- Equity investments are highly volatile and are subject to stock market risk, with the chance that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices.
- Bond and interest rates have an inverse relationship. For example, when interest rates rise, bond prices fall.
- Portfolios that invest in lower-rated debt securities (commonly referred to as junk bonds) involve additional risks because of the lower credit quality of the securities in the portfolio. As a result, investment in junk bonds may expose clients to a higher level of volatility and increased risk of default.
- International investing involves special risks including greater economic and political instability, as well as currency fluctuation risks, which may be even greater in emerging markets.

- Investments in stocks of small companies involve additional risks. Smaller companies typically have a higher risk of failure and are not as well-established as larger blue chip companies. Historically, smaller-company stocks have experienced a greater degree of market volatility than the overall market average.
- Investments in real estate have various risks including possible lack of liquidity and devaluation based on adverse economic and regulatory changes.
- The price of commodities, such as gold and currency, is subject to substantial price fluctuations of short periods of time and may be affected by unpredictable international monetary and political policies. The market for commodities is widely unregulated and concentrated investing may lead to higher price volatility.

Selected Information Regarding Fund Investments

Below is a brief description of the characteristics of mutual funds, ETFs and money market mutual funds. In the case of both mutual funds and ETFs, investment returns will fluctuate and are subject to market volatility, so that an investor's shares, when redeemed or sold, may be worth more or less than their original cost.

Past performance is no guarantee of future results.

It also should be noted that:

- Equity-based funds are subject to risks similar to those of stocks.
- Fixed-income mutual funds are subject to risks similar to those of bonds, but also are subject to certain risks similar to those of publicly-traded equity securities. Fixed income risks include credit risk, interest rate risk and prepayment risk.
- Mutual funds that invest in foreign (non-U.S.) securities have unique and greater risks than mutual funds that invest only in U.S. domestic securities.

Mutual Funds. Mutual funds are investment companies that are registered under the Investment Company Act of 1940. Typically, mutual funds are managed by investment advisers who research, select and monitor the securities held in the fund. Mutual funds sell and redeem their shares at net asset value (NAV).

ETFs: ETFs are investment companies that are registered under the Investment Company Act of 1940 and typically have the flexibility of intraday trading. Typically, ETFs are passively managed and track specific domestic or foreign market indices, and may provide investors with diversification, certain tax and cost efficiencies and liquidity. Generally, ETF shares trade between investors like a publicly traded stock. Because ETF shares are traded on an on-going basis, the market determines prices and investors can buy and sell shares at any time that the markets are open. Since ETFs are priced continuously by the market, there is a potential for trading to occur at prices other than the NAV.

An index-based ETF seeks to track the performance of its corresponding index. Tracking is achieved by some ETFs by replicating the securities in the index and by other ETFs by holding a representative sample of the securities in the index. Normally, the expenses of an ETF are lower than the expenses of actively managed mutual funds because actively managed mutual funds will have higher management fees and brokerage costs. However, investors who buy and sell ETF shares in the secondary market generally pay brokerage commissions in connection with those transactions.

Money Market Mutual Funds. Money market mutual funds are investment companies that are registered under the Investment Company Act of 1940, which, like other mutual funds, are managed by investment advisers that select and monitor the securities held in the fund and sell and redeem their shares at NAV.

An investment in a money market mutual fund is not insured or guaranteed by the United States Government, the Federal Deposit Insurance Corporation or any other governmental agency. Money market mutual funds seek to maintain the value of investments made in the funds at \$1.00 per share; however, it is possible to lose money by investing in a money market mutual fund.

ITEM 9 – Disciplinary Information

There are no legal or disciplinary events for the firm, Sound Financial Strategies Group, Inc.

In circumstances of business; certain members of Sound Financial's management team have been named in disciplinary and legal action in connection with their investment management services. Disciplinary actions which occurred over ten (10) years prior are exempted from disclosure documents requirements. Additionally,

Event or proceeding where the adviser is registered or applying for registration with the SEC and the event was resolved in the adviser's or favor are not required to be disclosed. Therefore, Clients are encouraged to have conversations with their investment advisor about disciplinary events, whether doing business with Sound Financial or any investment advisor.

A member of Sound Financial's management has been named as a party to a lawsuit in connection with a client beneficiary change. Although there can be no assurances of the outcome of any such legal action, Sound Financial does not believe that the pending litigation to which he is a party is material or otherwise would have a material adverse effect on our Firm or our Clients.

Disciplinary actions are detailed Sound Financial's Disclosure Brochure Supplement (Form ADV Part 2B).

ITEM 10 – Other Financial Industry Activities and Affiliations

Insurance and Securities Activities

In some cases, our investment adviser representatives also represent our affiliates or third parties as insurance agents or broker-dealer representatives, or both.

Some of our investment adviser representatives and other employees also sell insurance products and, represent one or more unaffiliated insurance product providers. In addition, certain representatives are licensed to sell products of life insurance companies based upon the needs of our clients. This activity is conducted through our insurance agency affiliate.

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

As required by law, we have adopted a Code of Ethics establishing policies and procedures to handle potential conflicts of interest that may arise from providing advisory services.

Our Code of Ethics recognizes that we are a fiduciary and is designed so that we meet our fiduciary obligation by setting forth standards of conduct for our officers and employees and requiring compliance with federal securities laws.

Our Code of Ethics is based upon the principle that we and our employees owe a duty to our clients to conduct their affairs in such a manner as to avoid 1) serving our own personal interests ahead of clients' interests, 2) taking inappropriate advantage of our position, and 3) any actual or potential conflicts of interest or any abuse of our position of trust and responsibility.

Our Code of Ethics:

- Requires that we maintain the confidentiality of your information;
- Prohibits:
 - Insider trading (if we are in possession of material, non-public information);
 - Rumor mongering;;
 - The acceptance of gifts and entertainment that exceed our policy standards;
- Requires the reporting of gifts and business entertainment by our employees;
- Requires that our employees report (on an on-going and quarterly basis) all of their personal securities transactions (what we call "reportable securities" as mandated by regulation); and,
- Requires that all employees certify to our Code of Ethics and identify any account(s) to which they have a beneficial ownership (that is, they "own" the account or have "authority" over the account), and identify securities held in certificate form and all securities.

Also, our Code of Ethics also provides that no employee may trade securities, either personally or on behalf of others, while in possession of material, non-public information with respect to any

such securities, or may communicate material, non-public information to others, other than as required and allowed by the Code of Ethics.

Our management may impose a number of sanctions which it feels is most appropriate for violations of the Code of Ethics.

To receive a copy of our Code of Ethics call us at (601)856- 621.

Participation or Interest in Client Transactions

We maintain policies and procedures for ensuring that any material, non-public information regarding publicly traded securities that we or our employees may obtain, including by virtue of relationships any issuer we may have with us or our affiliates is not misused in violation of applicable law.

Assets of client accounts that are invested in mutual funds, ETFs and similar funds are subject to advisory and other fees and expenses, as set forth in the applicable fund prospectus, and although such fees and expenses typically are paid by the fund, they reduce the overall return realized by the investor. Furthermore, assets of a client's account invested in shares of funds, including money market mutual funds, or other short-term investment vehicles, will be included in calculating the value of the account for purposes of computing our investment management services fees.

We receive fees and other compensation in addition to the fees we charge to our clients for our services. Our services fees are not reduced by the amount of the additional fees and other compensation received by us. This presents a conflict of interest and gives us an incentive to recommend investment products based on the compensation received, rather than on a client's needs.

- If you open your Fee-Based Account with securities previously purchased through an introducing broker (including NPC), or one of our representatives, you may already have paid a commission on the purchase to the introducing broker or to our representative, or both. Similarly, if you open your Fee-Based Account with cash proceeds from the sale of securities through an introducing broker (including NPC) or our representative, the introducing broker or our representative, or both, may have already received commissions of the sale.
- Some of the mutual funds, ETFs and similar funds purchased for Fee-Based Accounts pay financial intermediaries 12b-1 fees and certain other types of fees and compensation. Any 12(b) (1) fees received by Sound in connection with the investment of a Fee-Based Account will be credited back to the affected Fee-Based Account. However, other forms of fund-related compensation (for example, shareholder servicing fees, administrative service and similar fees and revenue-sharing or similar compensation paid by the fund's distributor or adviser/sub-advisor) by virtue of investment of the assets of your account in mutual funds, ETFs or similar funds will be retained by us.

- Our investment adviser representatives have the opportunity to participate in various sales contests that provide rewards to such individuals on the basis of the satisfaction of identified sales goals involving insurance products. These contests give eligible representatives an incentive to recommend insurance products.

Our Fee-Based Account clients have the option of obtaining the investment products we recommend through brokers or other agents that are not affiliated with us. If we assist clients with financial planning, we do not charge additional fees for product implementation services provided by our representatives. However, if a client decides to purchase products recommended as part of a financial plan prepared by us, the client must establish relationships with one or more brokerage firms, insurance agencies, and/or other vendors in order to complete the purchase of such products. The client is free to, but not required to, utilize the services of our representatives who act as insurance representatives of third-party providers of investment and insurance products. If the client determines to use our representatives who are also insurance agents or representatives of third-party product providers, those representatives will receive commissions, premiums or other compensation.

Personal Trading

Aspects of Sound Financial's personal trading policy include:

- All employees are required to provide duplicate account statements to our Compliance Department;
- No employee may enact in the activities of day trading. Day trading is the practice of buying and selling a stock within the same day.
- Pre-clearance is required for the purchase or sell of any initial public offering or limited offering (i.e., private placement)
- Our employees are allowed to purchase or sell similar securities to those purchased and sold for client accounts. However, all employees are subject to restrictions and monitoring intended to allow reasonable long-term investing yet prevent short-term trading or the ability to trade in a way related to our client's trading.

ITEM 12 – Brokerage Practices

Broker Selection and Trade Allocation

We will arrange for the execution of securities transactions for client accounts through brokers or dealers that we reasonably believe will provide best execution. In selecting a broker or dealer, we will consider, among other things, the broker or dealer's execution capabilities, the reputation of the broker or dealer and the broker or dealer's access to the markets for the securities being traded. Generally, we will seek competitive commission rates, but will not necessarily attempt to obtain the lowest possible commission for transactions for the account.

Our decisions to recommend, purchase, sell or hold securities for our client accounts are based on the specific investment objectives, guidelines, restrictions and circumstances of each account. We attempt to allocate, to the extent operationally and otherwise practical, investment opportunities to each client over a period of time on a fair and equitable basis relative to our other clients.

Trading Procedures Applicable to Separately Managed Accounts. We employ the following trading procedures in connection with Separately Managed Accounts:

- We may allocate investment opportunities based on numerous considerations, including cash availability and/or liquidity requirements, the time competing accounts have had funds available for investment or have had investments available for sale, investment objectives and restrictions, an account's participation in other opportunities, tax considerations, and relative size of portfolio holdings of the same or comparable securities.
- When we believe it is desirable, appropriate and feasible to purchase or sell the same security for a number of our advisory clients at the same time, when possible, we aggregate clients' orders in a way that seeks to obtain more favorable executions, in terms of the price at which the security is purchased or sold and the efficiency of the processing of the transactions.
- Trades are placed for clients whose assets are held at the custodian(s) on an average price basis. When it is not possible to process the trade on an average price basis, trades are handled on a rotating basis.
- Although we will place aggregated trades on an average price or rotating basis as described above, there is no assurance that the actual execution of the aggregated trades by the various custodians will occur in the manner established by us.
- Once an aggregated trade is completed for clients holding assets at a particular custodian, the trade is then allocated accordingly to accounts. The trade allocation process takes place on as timely a basis as possible, i.e. as an order is completed in full, or, in the case of a partially executed aggregated order, at the market's close when the average price can be calculated.
- If the aggregated order is not fully executed by the end of the trading day, allocation of the partially filled order will be completed on a pro-rata basis. Any deviation from the process will be performed only if all client accounts receive fair and equitable treatment and the reason for the different allocation is documented in writing no later than on the trading day following the day the order is executed.
- Securities for aggregated orders will be deposited with the custodian of clients who participate in the aggregated order. We will not receive any additional compensation or remuneration as a result of any aggregated order.

Client-Directed Brokerage

We maintain the authority to determine the broker or dealer to be used in making trades in discretionary client accounts. By selecting a Fee-Based Account, you direct that all securities trading will be through the custodian designated by us and, if applicable, the introducing broker.

Non-Discretionary Accounts

In the case of accounts over which we do not exercise investment discretion, trades for the client's account may not be made at the same time as aggregated trades for the client's discretionary accounts and, as a result, may not be made at the same price as our discretionary accounts.

ITEM 13 – Review of Accounts

Account Review Procedures

Investment Management Accounts

We review our investment management accounts at least once annually. The annual review is used to determine whether the investment approach and asset mix being used is consistent with the client's investment objectives, risk tolerance, cash flow needs, and any other special guidelines that may impact the client's investment allocations.

Occasionally, we perform reviews of investment management accounts in-between scheduled annual reviews when significant changes in the market occur or are anticipated or if we become aware of significant changes in the client's circumstances.

As part of our annual account review process, we contact our investment management clients to obtain updated information from the client and to discuss any changes in investment approach deemed appropriate, including in light of any changes in the client's circumstances.

In the case of our Separately Managed Accounts annual reviews are conducted by the assigned advisory representative.

We do not provide ongoing financial planning services. Each financial plan requires a separate engagement between us and the client. Accordingly, we do not conduct ongoing or periodic reviews of the financial plans we prepare for clients.

Reports Provided to Clients

Fee-Based Accounts and Separately Managed Accounts. You will receive periodic statements from your designated custodian showing all transactions that occurred in your account during the period covered by the account statement, any fees paid by your account during the period and a list identifying all assets in your account at the end of the period. You will receive these periodic statements on a quarterly basis and for any month in which transactions occur in your account.

The statement from your custodian is the principle statement of your account's position. If you do not receive the custodian statement at least quarterly, notify the custodian and us.

In addition to the periodic statements provided by your designated custodian, we will provide you quarterly written or electronic statements showing the each security owned (together with its cost and current market value as determined by your designated custodian), and performance data for the period covered by the statement. You should promptly review and compare the statements provided by us and the statements provided by your designated custodian and notify us in writing of any errors or discrepancies.

ITEM 14 – Client Referrals and Other Compensation

Sound Financial maintains referral relationships through which it pays a fee to third parties for referrals. Specifically, we pay certain financial institutions a portion of the advisory fees it earns from referred by the institutions. As noted above, however, Sound Financial does not direct brokerage transactions to any third party in return for client referrals.

In connection with Sound Financial's engaging the services of certain Custodians, Raymond James, on March 17, 2017, a loan of \$300,000.00, which is forgivable over 5 years on a straight-line basis so long as Sound Financial's relationship with Raymond James continues (the "Note"). The Note is intended to assist advisors, including Sound Financial, with the costs associated with the transition to Raymond James such as termination fees and staffing associated with moving accounts; however, Sound Financial does not confirm the use of these payments for such transition costs.

In addition to the aforementioned forgivable Note, Sound Financial entered into a loan with Raymond James on March 17, 2017, of \$500,000.00, which is repayable over 5 years. Such loans are received in connection with the transition from another broker-dealer or investment advisor firm.

The Note and any additional payments to Sound Finance present a conflict of interest in that we have a financial incentive to maintain our relationship with Raymond James which may include directing clients to Raymond James for execution of trades, custody of assets, and reporting or research services. However, to the extent that we direct our clients to Raymond James for such services, it is because we believe that it is in that client's best interest to do so. Sound Financial has systems in place to review accounts for suitability and best execution practices over the course of the advisory relationship

ITEM 15 – Custody

Under the SEC's rules, an investment adviser who has the authority to deduct, or to cause the account custodian to deduct, the investment adviser's fee may be deemed to have custody of the account for certain purposes. We have the authority to calculate our applicable investment management fees and to instruct your account's custodian to deduct our investment management fees from your account and to remit the fees to us. As a result, we may be deemed to have custody

of your accounts assets under the SEC's investment adviser custody rule (Rule 206(4)-2). Rule 206(4)-2 requires that we maintain the assets of our investment management clients with one or more "qualified custodians." You will direct that the assets of your investment management accounts be held by a third-party qualified custodian as follows.

The designated third-party qualified custodian holds all client account assets and provides written account statements to the client directly, at least quarterly, at the client's address of record. In addition to the account statements provided by the third-party custodian, we provide the client with written or electronic quarterly performance reports. These performance reports may differ in format from the account statements you receive from the third-party custodian, but the information concerning transactions, balances and holdings should be the same. We urge you to compare the account statement provided by the third-party custodian and the performance reports provided by us.

ITEM 16 – Investment Discretion

Generally, we accept full investment discretion over our clients' investment management accounts, including for Fee-Based Accounts and Separately Managed Accounts. Prior to our exercise of investment discretion, the client must authorize us to exercise the authority to trade the assets in the client's account for purposes of implementation of our investment management of the account.

Our discretionary investment management clients are permitted to impose reasonable restrictions on securities, industries and sectors by providing us with written instructions at the time their advisory accounts are opened or at any time thereafter. We may reject the imposition of restrictions to the extent the restrictions are inconsistent with the types of portfolios or services we provide.

In some cases we do not exercise investment discretion and instead provide investment recommendations. In addition, if a client has special needs and/or restrictions that require a portion of his portfolio to be held outside of our discretionary investment management accounts, a separate non-discretionary account will be opened to house those funds. Such funds will be managed in line with the special needs and/or restrictions and the account will incur an advisory fee.

- If we do not exercise investment discretion, either you or a third party designated by you have full responsibility for investment decisions.
- Cash in the client's account may be invested in money market funds until such time as the client provides us with direction as to the investment of the assets. The client may withdraw or pledge account assets at any time. Depending on the timing of the withdrawal, the client may lose money.

ITEM 17 – Voting Client Securities

We recognize that proxy voting is an important right of shareholders and reasonable care and diligence must be undertaken. Generally, we do not take on this level of discretion. Clients are urged to vote their own proxies.

ITEM 18 – Financial Information

We do not serve as a custodian of client funds or securities, and do not require prepayment of fees of more than \$1,200 per client, and six months or more in advance. Accordingly, a balance sheet is not required to be provided with this Disclosure Brochure.

We do not have any financial impairment that will preclude us from meeting our contractual commitments to clients. We have not been the subject of any bankruptcy petition at any time, including any time during the past ten years.

ITEM 19 – State Registered Advisors

We are an SEC-Registered Advisor. As a result, this item is not applicable to us.