

# **Sound Financial Strategies Group Inc.**

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Phone Number (601) 856-3825

## **Form ADV Part 2 Brochure**

**October 31, 2017**

### **ITEM 1 – Cover Page**

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](http://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 (SFSG) 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 to evaluate SFSG, Inc (and other advisers), which are factors in your decision to hire SFSG 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 October 31, 2017. This Brochure reflects the following changes from our most recent update of January 31, 2017:

Updated Assets Under Management

### **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](http://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, there are exceptions, and these exceptions will be notated in the clients’ account.

*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 currently used portfolios:

Our representatives obtain financial data from clients and assist them in the identification of suitable investment objectives. We will base the recommended investment strategy on the client's specific goals and situation. In addition, we contact our clients periodically (at least annually) to review their financial situation and goals. If we recommend that an account purchase mutual fund investments through our currently used 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 their 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 September 30, 2017, we managed approximately \$\_ 187,671,264 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 calculated as 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

Fees are negotiable at our discretion, and any negotiated fee arrangement is notated in the client's agreement. We also reserve the right to "Grandfather" (not increase or decrease) fees applicable to accounts acquired from other advisory firms.

#### *Fee Billing.*

The initial fee for the first calendar quarter in which a client participates in a Program shall be calculated on a pro-rata basis beginning the day after initial assets are deposited in the Program, and is debited the following month. Fees are subsequently calculated at the beginning of each calendar quarter, based on the fair market value of the portfolio on the last business day of the prior calendar quarter. If an account is opened in the last month of a calendar quarter, fees will be calculated and debited for the remaining period in that calendar quarter, along with fees for the next calendar quarter, on the day after initial assets are deposited. If our relationship with a client terminates and all assets are withdrawn from the Program prior to the end of a quarter, we will issue a refund for the pro-rata portion of the fee owed to the client. If a client deposits assets (cash and securities) with a market value of ten-thousand dollars (\$10,000) or more in an account on any given day after the inception of a calendar quarter, the amount of the deposit will immediately be subject to a pro-rated fee based on the applicable Fee Schedule. Clients shall be entitled to a fee rebate calculated in the same manner if account assets are withdrawn in excess of this amount on any given day.

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.* Other Fees and Charges. In addition to the Advisory Fee, Client will incur other fees, charges and expenses from parties unaffiliated with Sound Financial ("Third Party Charges"). Third Party Charges will include brokerage commissions, custodial fees, stock transfer fees, transaction fees, charges imposed directly by mutual, index or exchange-traded funds, certain deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees

and other similar charges incurred in connection with transactions for the Account. Third Party Charges will be paid from the assets in the Account and are in addition to the Advisory Fee. Third Party Charges are established by the custodian, clearing broker or introducing broker, mutual fund/ETF, or other third party vendor, as applicable, and are subject to change. Sound Financial is not obligated to give Client notice of changes in any Third Party Charges. Upon request, Sound Financial will provide Client with any Third Party Charge schedule applicable to the account.

*Additional Compensation.* Sound Financial and its representatives receive certain fees and other compensation in addition to the fees charged 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 (broker/dealer) 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 Advisory fees applicable to your Fee-Based Account, we will provide you with written notice specifying the date 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 within thirty (30) days 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 party may terminate the Agreement at any time by giving thirty (30) days' prior written notice to the other party. Client is responsible for any transaction initiated by Sound Financial in accordance with this Agreement before Adviser receives a termination notice. In the event that either party terminates this Agreement, any fees will be prorated to the date of

termination and Client will be refunded any unearned portion of those fees. Termination of this Agreement will not affect:

- a. The validity of any action previously taken by Sound Financial;
- b. Any liabilities or obligations of the parties for transactions initiated before termination; or
- c. Client's obligation to pay and Sound Financial's right to retain fees for services rendered under the Agreement.

If a party terminates this Agreement, Sound Financial is not obligated to recommend or take any action with regard to the securities, cash or other investments in the Account or liquidate any assets in the Account after the termination date. It shall be Client's exclusive responsibility to manage any assets in the Account following termination.

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

No portion of the Advisory Fee shall be based on a share of capital gains upon, or capital appreciation of, the assets or any portion of the assets in the Account.

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 a client is permitted to aggregate related accounts or we may be willing to accept a lower minimum. However, we have full discretion to allow or not allow exceptions.

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

### **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 portfolio teams use 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.

### **Investment Strategies**

We and our client develop a target asset allocation based on the client's individual income needs and risk tolerance.

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 in determining 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 the client with their tolerance for potential fluctuations in markets and incurring losses. There is no guarantee that our investment strategies will meet the client's objectives or, in any event, protect their assets from the potential for losses. Depending on the types of securities a client invests in, they may face the investment risks described below:

- Stock market risk
- Interest rate risk
- Below investment grade risk, i.e. "junk bonds"
- Emerging market risk/currency fluctuation risk.
- Small-cap and micro-cap stock risk. Small companies have a higher risk of failure and can incur additional market volatility.
- Liquidity risk, such as in real estate investments.
- International policy and political risk, such as fluctuations in commodities.

### **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, any 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, and 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)856-3825.

### **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.

### **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 designated custodian 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. We also 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, taking into consideration 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.* Clients will receive periodic statements from their designated custodian showing all transactions occurring in their account during the period covered by the account statement, including any fees paid by the account during the period, and a list identifying all assets in the account at the end of the period. Clients will receive these periodic statements no less than on a quarterly basis.

The statement from the custodian is the principle statement of the account's position. If the Client does not receive the custodian statement at least quarterly, they should notify the custodian and us.

In addition to the periodic statements provided by your designated custodian, we will provide the client quarterly written or electronic statements showing each security owned (together with its cost (if available) and current market value as determined by the designated custodian), and performance data for the period covered by the statement. Clients should promptly review and compare the statements provided by us and the statements provided by the 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 Advisory fees and to instruct the account's custodian to deduct our Advisory fees from the Client's account and to remit the fees to us. As a result, we may be deemed to have custody of the Client's 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.” Clients will direct that the assets of their investment management accounts be held by a third-party qualified custodian.

### **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.

- 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 anytime. 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. We do not take on this level of discretion. Clients should 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.