

## Item 1 – Cover Page

# Souders Financial Advisors, LLC

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### **ADV Part 2A Firm Brochure April 2018**

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This Brochure provides information about the qualifications and business practices of Souders Financial Advisors, Inc. (collectively herein referred to as “SFA” or “Firm”). If you have any questions about the contents of this Brochure, please contact us at (513) 598-2400 and/or [phayes@graydoncs.com](mailto:phayes@graydoncs.com). Currently, our Brochure may be requested free of charge by contacting Souders Financial Advisors at (513) 598-2400 or [phayes@graydoncs.com](mailto:phayes@graydoncs.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.

Additional information about SFA, including a copy of this brochure, is also available on the SEC’s website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The CRD number for SFA is 296780.

References herein to SFA as a “registered investment adviser” or any reference to being “registered” does not imply a certain level of skill or training.

## **Item 2 – Material Changes**

SFA submitted its initial registration with the SEC to become registered as an investment adviser in April 2018.

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## Item 4 – Advisory Business

### About Souders Financial Advisors

Since 1992, the Firm has helped individuals, business owners, and corporations plan for their retirement needs. The firm submitted its registration to become an independent investment advisory firm in April of 2018. SFA is 100% privately owned, with Daniel Souders, Brian Schweder, and Ryan Bonaventura. SFA has one office location located in Cincinnati, Ohio.

### Types of Advisory Activities

- **Personal Wealth Management**

SFA's Personal Wealth Management serves individuals by creating a customized long-term strategy seeking to grow and preserve wealth according to lifestyle and risk factors. The firm's planning process begins with a review of the client's goals and objectives to help incorporate the personal investment approach. The firm is dedicated in helping their clients protect and manage their assets, preparing for retirement and unexpected events, and developing a legacy that benefits your loved ones and future generations. The process begins with a review of the client's goals and objectives to help determine if the client is on track, and typically incorporates the following important areas:

- **Investment Planning:** At SFA, our investment philosophy is centered on helping to protect and grow your assets as we help the clients pursue their most important goals. The firm believes that risk tolerance alone should not be the basis for investment selection. Considering risk tolerance without considering your goals is like traveling without a destination. Successful investing is rooted in the development of a Financial Plan, based on careful consideration of assets, goals, risks, and time horizon viewed together. At SFA, through the use of our model portfolios and other investments, as appropriate, our team of experienced financial advisors and portfolio managers seek to create an investment portfolio tailored to the client's objectives that can help ensure your assets are strategically allocated, diversified and managed over time, and based on your needs and risk tolerance. The firm's approach to investment advisory and portfolio management services help ensure the client benefits not only from SFA's collective experience, but the many perspectives and specialized expertise our individual team members bring in managing the client's portfolio.

In constructing the clients' investment portfolio, we seek:

- Quality investments, offering tangible value and utility.
  - Diversification through various assets, asset classes, investment management styles, and methodologies.
  - Income generating investments that can provide an important component of total return, especially for investors in or nearing retirement.
- **Retirement Income Planning:** SFA understands the unique needs and challenges investors face who are retired or about to retire. It's important to understand how the client will structure their retirement

income, how long the income will last, and which sources of income the client should tap into first to minimize taxes and maximize income potential.

Through comprehensive planning, we can help you prioritize the clients' goals and develop a strategy that seeks to protect and grow the clients' retirement assets. Whether you are in the accumulation phase or have already retired, a comprehensive strategy is critical.

SFA offers assistance to their clients in the following retirement plans and strategies:

- Retirement Income Planning
  - 401(k)/IRA Rollovers
  - Traditional and Roth IRAs
  - SEP IRAs
  - SIMPLE IRAs
- **Insurance Planning:** Insurance planning is a fundamental aspect of wealth planning. Closing the gap on potential risks can be tricky without a comprehensive plan and process that seeks to methodically evaluate all potential risk factors. SFA offers a diverse insurance package to their clients in order to protect themselves, their loved ones, their home, or their businesses against unexpected events.

Life insurance products offer a spectrum of death benefit protection, spousal coverage, and cash value accumulation feature for a variety of needs. Life insurance is also used as an important estate planning tool, helping to ensure beneficiaries and heirs are not saddled with an undue estate tax burden. After a careful analysis of the client's situation and objectives, the firm can help the client obtain the coverage that meets their needs, choosing among insurance programs from many of the nation's leading providers.

The ability to work and generate income is frequently the most valuable asset of our clients. Protecting it is paramount to achieving short-and long-term financial goals. Disability insurance helps guard the client's income and lifestyle from unexpected interruptions during the working years of the client. Adequate disability coverage can ease the burden of lost income or wages while the client recovers from an accident or illness. It can also help to prevent the depletion of savings or being forced to sell investments at an inopportune time to raise cash for living expenses.

Long-term care insurance helps pay for the care the client needs when they can no longer care for themselves. For many, long-term care insurance helps to preserve both independence and dignity, and may allow them to remain in their home while receiving the quality and level of care they require. It may also help protect their family's financial future and their legacy. Long-term care insurance can help manage healthcare costs and reduce the impact of inflation, while helping to ensure the client's healthcare needs, and those of loved ones, are covered well into the future. Adequate financial planning now can help prevent a lifetime of assets from falling short when the client needs them most.

- **Education Planning:** Whether the client is paying tuition costs now or saving for a future goal, it is important to determine if their education strategy is compatible with achieving your retirement income and related financial objectives. Tax considerations and retirement income needs must be weighed and evaluated before choosing a specific strategy.

529 Education Savings Plans can be a good choice for many families seeking to set aside funds for future college or other education expenses on a tax-deferred basis. As independent advisors, we are under no pressure to recommend specific education savings programs or proprietary products of any type. Our only concern is which program best meets your needs.

- **Estate & Legacy Planning:** Preserving wealth from one generation to the next can be complex and time-consuming. Guidance from a competent, experienced advisor can go a long way toward helping make sure the client's financial success is shared with their family, friends, and the charitable organizations they designate.

SFA assists clients articulate their estate planning goals and will work closely with their tax and legal advisors to help ensure the client's financial strategy reflects their estate planning needs. Or, if the client prefers, SFA can provide a referral to outside professional advisors adept at the intricacies of estate and tax planning. Whether the client uses a trust or another method for accomplishing their long-term estate planning goals, we can assist the client in navigating and simplifying today's complex estate planning landscape.

- **Schwab Administrative Trust Services:** Trust services are available through Schwab Administrative Trust Services ("SATS"). SATS will serve as trustee, co-trustee, or agent for the trustee, while specializing in delegating investment management to financial advisors. This model allows our clients to utilize SATS to provide professional trust administrative services while we provide investment management services.

SATS serves in an administrative corporate trustee role, providing all record keeping, accounting and tax preparation; also, SATS ensures that trusts are managed and distributions occur according to the terms of the trust document.

## Item 5 – Fees and Compensation

SFA receives its compensation through a combination of fixed, administrative, and asset-based fees. SFA's general policy is to charge fees in accordance with the fee schedule in effect at the time of the charge, however, all fees are subject to negotiation. The specific manner in which fees are charged by SFA is established in a client's written agreement with the firm. SFA The respective fees for SFA's services are as follows:

### Personal Wealth Management

Financial planning services – SFA financial planning services may be included at no additional charge. Financial planning fees are typically waived for clients with more than \$250,000 in assets under

management. Clients with under \$250,000 in assets under management will generally receive a separate agreement for any financial planning services provided. For these planning services, SFA typically charges \$500-\$850 on an annual basis.

Portfolio management for individuals – The fee schedule for SFA’s retail services is dependent upon the scope of each client engagement. SFA generally recommends that a client engage SFA for services which meet their individual situation, however clients may choose to engage SFA for the services of their choosing. Advisory account fee covers all transaction charges, custodial fees, and Registered Investment Advisor fees for accounts managed by the firm. The fee schedule for our advisory services is outlined in the table below:

<b>Account Value</b>	<b>Total Annual Fee</b>
\$0- 249,999.99	1.25%
\$250,000 – 499,999.99	1.10%
\$500,000 – 749,999.99	1.00%
\$750,000- 999,999.99	0.90%
\$1,000,000- 1,249,999.99	0.80%
\$1,250,000+	0.70%

Portfolio management for corporate retirement plans – The fee schedule for SFA’s corporate advisory services and retirement plan consulting services is dependent upon the scope of each client engagement and the levels of service provided. These fees are typically charged based on a percentage of assets or a fixed contracted fee. The factors SFA considers in determining the fee schedule for these clients include but are not exclusive to: number of participants, number of offices, committee involvement, and number of plan updates.

Administrative fee for non-discretionary accounts – SFA may charge a relatively minor fee for certain non-discretionary accounts to cover the administrative and overhead expenses associated with services SFA provides outside of its discretionary management services.

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

SFA does not have any performance-based fee arrangements, and consequently, does not participate in any side-by-side management.

## **Item 7 – Types of Clients**

SFA provides portfolio management services to individuals, high net worth individuals, trusts, and corporate retirement plans.

SFA generally does not require a minimum account size to open a portfolio.

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

When providing management and consulting services, SFA relies upon general securities and market knowledge, published investment strategies and general sources of securities and market information. The firm makes recommendations relating to various investment asset types it believes will meet a client’s needs. SFA assists

each client in tailoring their long-term investment goals that are representative and suitable to their personal situation. The tailored investment strategy will also be diversified in order to mitigate investment risks.

SFA uses the following strategies in managing client accounts:

- Longer-term purchases: The firm will purchase securities for certain strategies with the idea of holding them in the client's account for more than a year.
- Short-term Purchases: The firm purchases securities with the belief that selling them within the year. SFA does this in attempt to take advantage of a belief of a favorable price swing.

Investment returns are not guaranteed. While investing in securities SFA's clients may lose money on their investments. The firm works with their clients to help understand their tolerance for risk. SFA feels that asset allocation or the process of diversifying money across different asset classes maximizes return and minimizes risk. Asset allocation does not ensure a profit or guarantee against loss, it is a method to help manage investment risk. Investing in securities involves risk of loss that clients should be prepared to bear.

## **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of SFA or the integrity of SFA's management. SFA has no information applicable to this Item.

## **Item 10 – Other Financial Industry Activities and Affiliations and Conflicts of Interest**

Licensed Insurance Agents. Certain SFA portfolio managers also serve as licensed insurance agents. The recommendation that a client purchase an insurance commission product from an SFA portfolio manager in his individual capacity as an insurance agent presents a conflict of interest, as the receipt of commissions may provide an incentive to recommend insurance products based on commissions to be received, rather than on a particular client's need. No client is under any obligation to purchase any insurance commission products from an SFA portfolio manager. Clients are reminded that they may purchase insurance products recommended by SFA through other non-affiliated insurance agents.

Registered Representatives of Private Client Services, LLC ("PCS"). Certain SFA portfolio managers also serve as registered representatives of PCS, a FINRA-registered broker dealer, and receive compensation related to the placement of certain investment products. This presents a conflict of interest, as the recommendation by SFA portfolio managers of certain investment products through PCS would economically benefit portfolio managers of SFA through receipt of commissions. This could provide an incentive to recommend investment products based on commissions to be received, rather than on a particular client's need. No client is under any obligation to purchase any investment product recommended by an SFA portfolio manager through their affiliation with PCS. Clients are reminded that they may purchase investment products through other non-affiliated registered representatives and broker-dealers.

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

SFA has adopted a Code of Ethics that will apply to all of the Firm’s supervised persons and sets forth the standard of conduct by which each individual should carry out his/her respective obligations. Specifically, this document presents the Firm’s fundamental standard of conduct and shall address issues pertaining to:

- Privacy of Client Non-Public Personal Information
- Insider Trading;
- Personal Securities Transactions;
- Receipt of Gifts;
- Political Contributions.

All supervised persons at SFA must acknowledge the terms of the Code of Ethics annually, or as amended.

Subject to satisfying this policy and applicable laws, officers, directors and access persons of SFA may trade for their own accounts in securities which are recommended to and/or purchased for SFA’s clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the access persons of SFA will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing access persons to invest for their own accounts. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of SFA’s clients. In addition, the Code requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit access persons to invest in the same securities as clients, there is a possibility that access persons might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between SFA and its clients. SFA’s clients or prospective clients may request a copy of the firm’s Code of Ethics by contacting its Chief Compliance Officer, Patrick D. Hayes.

## **Item 12 – Brokerage Practices**

SFA does not maintain custody of their clients’ assets. The clients’ assets must be maintained in an account at a “qualified custodian,” generally a broker-dealer or bank. SFA recommends that their clients use Charles Schwab & Co., Inc. (“Schwab”), a FINRA-registered broker-dealer, member SIPC, as the qualified custodian. The firm is independently owned and operated and not affiliated with Schwab. Schwab will hold client assets in a brokerage account and buy and sell securities when instructed. While SFA requests that clients use Schwab as custodian/broker, the client will decide whether to do so and will authorize the opening of the client’s account with Schwab by entering into an account agreement directly with them. SFA will not open any account unilaterally for their clients.

### **Products and Services Available to Us From Schwab**

Schwab Advisor Services<sup>TM</sup> (formerly Schwab Institutional) is Schwab’s business serving independent investment advisory firms. They provide the firm’s clients and the firm with access to its institutional brokerage-trading, custody, reporting, and related services-many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help manage or administer SFA’s clients’ accounts, while others help the firm manage and grow their business. Here is a more detailed description of Schwab’s support services:

**Services That Benefit the Client.** Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which SFA might not otherwise have access or that would require a significantly higher minimum initial investment by the firm's clients. Schwab's services described in this paragraph generally benefit the client and their accounts.

**Services That May Not Directly Benefit the Client.** Schwab also makes available to SFA other products and services that benefit the firm but may not directly benefit the client or the client's accounts. These products and services assist us in managing and administering clients' accounts. They include investment research, both Schwab's own and that of third parties. SFA may use this research to service all or some substantial number of clients' accounts. In addition to investment research, Schwab also makes available software and other technology that:

- provide access to client account data (such as duplicate trade confirmations and account statements);
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
- provide pricing and other market data;
- facilitate payment of our fees from our clients' accounts; and
- assist with back-office functions, recordkeeping, and client reporting.

**Services That Generally Benefit Only Us.** Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include:

- educational conferences and events;
- technology, compliance, legal, and business consulting;
- publications and conferences on practice management and business succession; and
- access to employee benefits providers, human capital consultants, and insurance providers.

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to the firm. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide the firm with other benefits such as occasional business entertainment of our personnel.

**Best Execution.** When given discretion to select the brokerage firm that will execute orders in client accounts, SFA seeks "best execution" for client trades, which is a combination of a number of factors, including, without limitation, quality of execution, services provided and commission rates. Therefore, SFA may use or recommend the use of brokers who do not charge the lowest available commission in the recognition of research and securities transaction services, or quality of execution. Research services received with transactions may include proprietary or third party research (or any combination), and may be used in servicing any or all of SFA's clients. Therefore, research services received may not be used for the account for which the particular transaction was effected.

**Order Aggregation:** Transactions for each client account generally will be effected independently, unless SFA decides to purchase or sell the same securities for several clients at approximately the same time. SFA may bunch such orders to obtain better price execution, to negotiate more favorable commission rates, or to allocate equitably among SFA's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. SFA shall not receive any additional compensation or remuneration as a result of such aggregation.

## **Item 13 – Review of Accounts**

SFA reviews client portfolio accounts on a daily basis through the use of portfolio accounting software to monitor allocations. SFA also provides ongoing access to our website where clients can view their portfolio on a daily basis. At the client's request and typically no less than annually, SFA portfolio managers with their clients review their accounts.

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

As a matter of firm practice, SFA does not pay referral fees to affiliated or independent persons or firms (“Solicitors”) for introducing certain clients to us.

SFA receives an economic benefit from Schwab in the form of the support products and services it makes available to the firm and other independent investment advisors that have their clients maintain accounts at Schwab. These products and services, how they benefit the firm, and the related conflicts of interest are described above (see Item 12 – Brokerage Practices). The availability of Schwab's products and services to the firm is not based on our giving particular investment advice, such as buying particular securities for our clients.

## **Item 15 – Custody**

Under government regulations, SFA is deemed to have custody of client assets if they authorize the firm or its representatives to instruct Schwab to deduct advisory fees directly from the client's account. Schwab maintains actual custody of client assets. Clients will receive account statements directly from Schwab at least quarterly. They will be sent to the email or postal mailing address the client provided to Schwab. The client should carefully review those statements promptly when they receive them. SFA also urges their clients to compare Schwab's account statements with the periodic account statements they will receive from the firm.

## **Item 16 – Investment Discretion**

SFA typically receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

When selecting securities and determining amounts, SFA observes the investment policies, limitations and restrictions of the clients for which it advises. For registered investment companies, SFA's authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made. Investment guidelines and restrictions must be provided to SFA in writing.

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

As a matter of firm policy and practice, SFA does not have any authority to and does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. SFA may provide advice to clients regarding the clients' voting of proxies.

## **Item 18 – Financial Information**

SFA does not solicit fees of more than \$1,200 per client, six months or more in advance. SFA is unaware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments relating to its discretionary authority over certain client accounts. SFA has not been the subject of a bankruptcy proceeding.